

***COMPREHENSIVE  
ANNUAL FINANCIAL REPORT***

**of the**

**City of Canton, Texas**

**For the Year Ended  
September 30, 2015**

**Prepared by the Finance Department**

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# City of Canton, Texas

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September 30, 2015

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## *INTRODUCTORY SECTION*

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Lou Ann Everett, Mayor  
Shawn R. Stewart, Mayor Pro Tem  
Cindy Malouf, City Council  
Nathan Moore, City Council  
Connie Odie, City Council  
Scott Perkins, City Council  
Lonny Cluck, City Manager

24980 Hwy. 64 East, Suite 1  
P.O. Box 245  
Canton, Texas 75103

# City of Canton

Administration - 903.567.1841  
Water Dept. - 903.567.2826  
First Monday - 903.567.6556

March 31, 2016

Honorable Mayor and City Council  
City of Canton  
Canton, Texas

Dear Mayor and Council Members:

The Comprehensive Annual Financial Report ("CAFR") of the City of Canton, Texas, for the year ended September 30, 2015, is submitted herewith.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that is established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

BrooksCardiel, PLLC have issued an unmodified opinion on the City of Canton, Texas' financial statements for the year ended September 30, 2015. The Independent auditor's report is located in the beginning of the financial section of the CAFR.

This letter of transmittal is designed to complement Management's Discussion and Analysis ("MD&A") and should be read in conjunction with it. The City's MD&A can be found immediately following the Independent auditors' report and provides a narrative introduction, overview and analysis of the basic financial statements.

## ECONOMIC CONDITIONS AND OUTLOOK

Canton, Texas is a commercial center built on tourism, retail, agricultural, light manufacturing, and governmental activity. Given Canton's pro-business attitude, the City continues to prosper economically. Highlights include:

Canton is home to the world famous First Monday Trade Days, one of the largest flea markets in the nation, which has provided economic benefits to the City since its opening over *one hundred and fifty years* ago. In the mid 1960's, the operations were organized and managed by the City of Canton which generated direct rental revenue and indirect sales tax revenue. Since that time, additional private First Monday properties have developed. The City continues to receive a steady revenue stream from its First Monday operations directly and sales tax revenue has continued to increase steadily.

Canton is also a Texas and National Main Street City and Certified Retirement Community by the State of Texas. As the county seat of Van Zandt County, the vital downtown district of Canton is centered around the Courthouse. The district features the Plaza Museum, shops, eateries, and professional service type

Home of the World Famous First Monday Trade Days  
Begins Thursday Before Each First Monday

businesses. The community is qualified and marketed as a retirement community with many quality-of-life features desirable to retirees including those mentioned above.

The City of Canton offers many services and amenities for families and features of small town living for its residents. In addition to the economic activity derived from First Monday Trade Days, and the once-a-month weekend destination, Canton is a business and retail center for residents throughout the County. It supports a wide variety of motels, Bed & Breakfast establishments, restaurants, retail stores, wholesale businesses, financial institutions, healthcare facilities, professional and business services, and manufacturing companies.

### MAJOR INITIATIVES

In FY 2014-2015 several commercial developments affecting the City's economic outlook were initiated and/or completed, including 3D's Pizza, and Schlotzky's Sandwich Shop. Duke's Travel Plaza completed construction of two new business developments: Sweet Frog's Yogurt Shop and Duke's Burger Bar. Turnover in the Downtown District resulted in several new small businesses.

During the fiscal year, the City looked for continued funding from grants and the economic development sales tax. This funding allowed the completion of the last phase of the East Outfall Sewer Project. Grants were secured by the Texas Block Grant Fund to fund another section of the Downtown Sidewalk Renovation Project and to begin renovation of the Old City Hall on Tyler Street by removing the architectural barriers and making the building ADA compliant. Plans for the Mill Creek Lake Park Trails and City Lake Park Trails have developed with funding provided by the Texas Parks & Wildlife Division. These trails were symbolic to show support to the community where Canton has been designated as the Walking Capital of Texas by the Texas House of Representatives.

The City continued much of its own development and preparations for the future. The City issued a 2015 Limited Tax Note to fund the construction of the New City Hall and the extension of Trade Center IV on the First Monday Grounds. In addition, the City began construction on a new cellular tower, and made plans to restore the Historic Water Tower on the site of the New City Hall on Buffalo Street. Most of the other capital projects were funded by the annual profits from the First Monday Department. A 14" water main was installed from the water plant to Hwy 243 and a 10" water main was installed on Wynne Road. Improvements were made to the sewer system with an additional phase to the South Outfall completed and upgraded UV equipment at the sewer plant.

In 2015-2016, increased economic development is expected to continue with the completion of a 70 guestroom hotel on Interstate 20 next to Splash Kingdom and a new Schlotzky's restaurant planned on Interstate 20. In addition, several businesses have remodels or expansions planned. Ongoing negotiations continue to bring several prospective businesses to the area. Major improvements by the City will continue with the completion of the City Hall, the preservation of the downtown historic water tower, and construction of the new cellular tower. Other planned improvements to infrastructure include additional phases to the West and South Outfall and a Water Well Project on Hwy 19.



## FINANCIAL INFORMATION

### Accounting Procedures and Budgetary Controls

The City's accounting records for general government are maintained on a modified accrual basis, with revenues being recorded when available and measurable, and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's water and sewer utility and other proprietary activities are maintained on the accrual basis.

The budgetary process begins each year with the preparation of both current and proposed year revenue estimates by the City's financial management staff, and expenditure estimates by each City department. Budgets are reviewed by the Council. The City Manager makes final decisions and submits a recommended budget to the City Council.

As part of each year's budget development process, departments are required to update expenditure estimates for the current fiscal year. These estimates are reviewed by the Mayor, City Manager, and the City Council concurrent with review of the proposed budget. This re-estimated budget may require a supplemental appropriation and, if so, such supplemental appropriation is approved by ordinance adopted by the City Council prior to the end of the current fiscal year.

### General Governmental Functions

Tax Rates: All eligible property within the City is subject to assessment, levy and collection by the City a continuing, direct ad valorem tax sufficient to provide for the payment of principal and interest on outstanding debt within the limits prescribed by law, and the payment of operation and maintenance costs as approved by the City Council. The City's tax rate history as adopted by the City Council is shown below:

<u>Fiscal Year</u>	<u>Tax Rate</u>
2010-2011	.425230
2011-2012	.425230
2012-2013	.425230
2013-2014	.420332
2014-2015	.420332
2015-2016	.420332

## OTHER INFORMATION

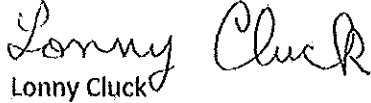
Independent Audit The City of Canton has engaged the firm of BrooksCardiel, CPAs, PLLC to perform the annual audit and their opinion has been included in this report. It should be noted that the auditors included all funds in their audit, performed their audit in accordance with generally accepted auditing standards, and stated that, in their opinion, the statements herein present fairly, in all material respects, the financial position of the City at September 30, 2015, and the changes in financial position and cash flows of its proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Acknowledgements Many persons are responsible for the preparation of this report, and for the maintenance of records upon which it is based. Appreciation is expressed to the City employees

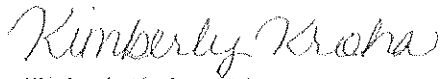
throughout the organization, especially those employees of the Accounting Department who were instrumental in the successful completion of this report.

Our appreciation is also extended to the Mayor and members of the City Council for providing the resources necessary to maintain the integrity of the City's financial affairs.

Respectfully submitted,

A handwritten signature in cursive script that reads "Lonny Cluck".

Lonny Cluck  
City Manager

A handwritten signature in cursive script that reads "Kimberly Kroha".

Kimberly Kroha, CPA  
Finance Director

**CITY OF CANTON, TEXAS**  
**OFFICIALS AND ADMINISTRATIVE STAFF**  
**For the Fiscal Year ended September 30, 2015**

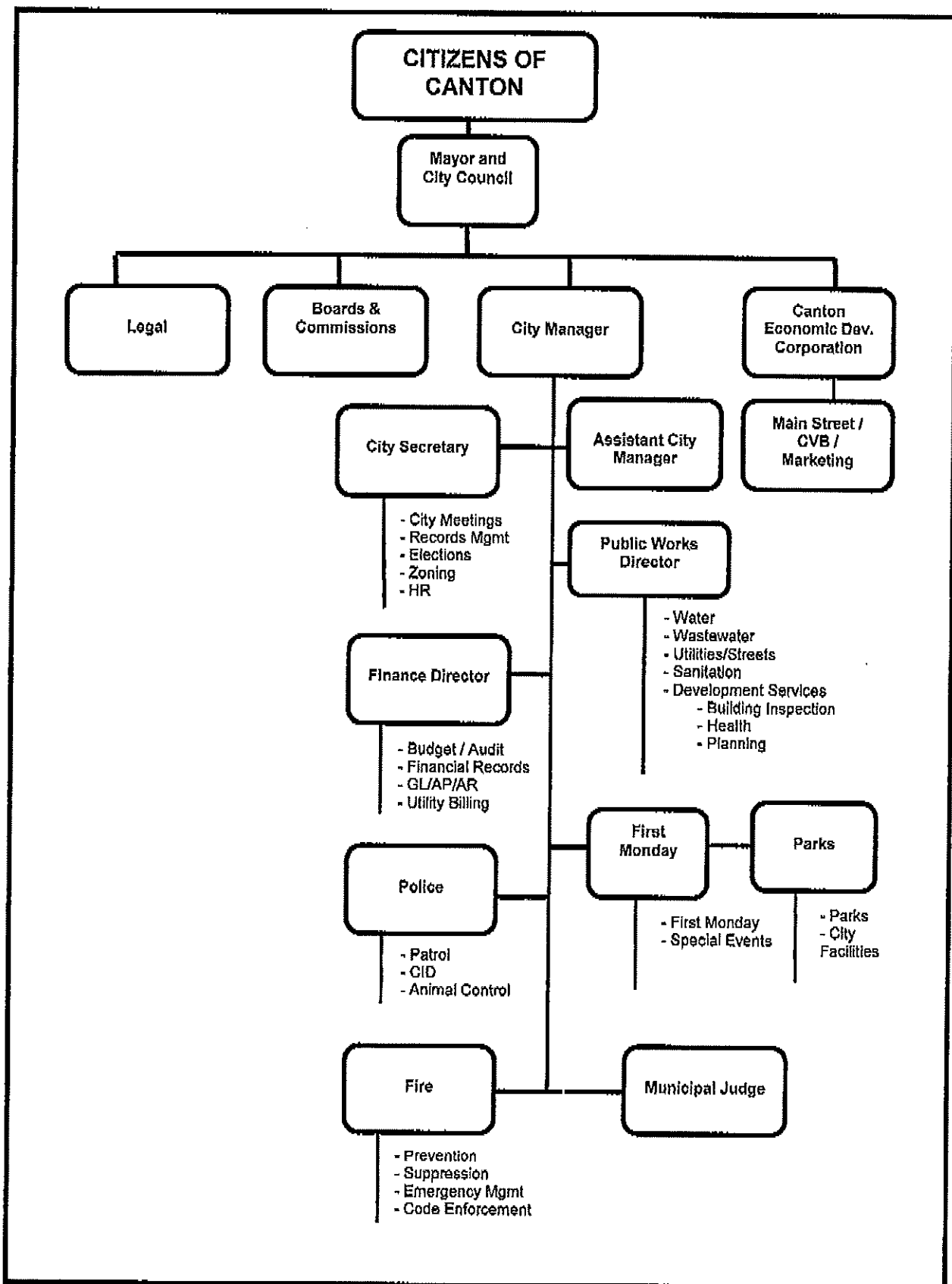
**Council Members**

**Lou Ann Everett, Mayor**  
**Shawn R. Stewart, Mayor Pro Tem**  
**Nathan Moore**  
**Connie Odic**  
**Cindy Malouf**  
**Scott Perkins**

**Administrative Staff**

**Lonny Cluck, City Manager**  
**Bud Sanford, Fire Chief**  
**Brad Allison, Police Chief**  
**Kimberly Kroha, Finance Director**  
**Debra Johnson, City Secretary**  
**Lilla Durham, Municipal Court Judge**

# CITY OF CANTON ORGANIZATIONAL CHART



## *INDEPENDENT AUDITOR'S REPORT*

To the Honorable Mayor and  
Members of the City Council  
City of Canton, Texas:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Canton, Texas (the "City"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes

evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Canton, Texas, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

#### *Change in Accounting Principle*

As discussed in Note V.J., to the financial statements, during 2015, the City adopted new accounting guidance Governmental Accounting Standard Board "GASB" Statement No. 68, entitled *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

#### *Correction of an Error*

As disclosed in Note V.J., in the year ending September 30, 2015, the City restated its net position and fund balances as of September 30, 2014 to correct errors. Our opinion is not modified with respect to this matter.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of employee contributions to pension plan, and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical

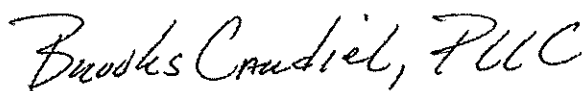
context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Canton, Texas's basic financial statements. The introductory section, individual budgetary comparison schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual budgetary comparison schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.



BrooksCardiel, PLLC  
Certified Public Accountants  
The Woodlands, Texas  
March 30, 2016

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***MANAGEMENT'S DISCUSSION  
AND ANALYSIS***

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# City of Canton, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2015

As management of the City of Canton, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2015.

### **Financial Highlights**

- The assets of the City exceeded its liabilities (net position) at September 30, 2015 by \$34,976,236. Of this amount, \$7,862,762 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$1,808,991 since September 30, 2014. The majority of the City's net position is invested in capital assets.
- The City's governmental funds reported combined ending fund balances of \$4,793,596 at September 30, 2015, an increase of \$1,237,565 from the prior fiscal year; this includes an increase of \$236,300, in the general fund, an increase of \$20,476 in the debt service fund, and an increase of \$980,789 in the capital improvements fund.
- At the end of the fiscal period, unassigned fund balance for the general fund was \$2,429,891 or 62% of total annualized general fund expenditures.
- The total debt payable at the close of the fiscal year was \$7,044,999.

### **Overview of the Financial Statements**

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

### **Government-Wide Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, liabilities, and deferred inflows/outflows with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

# City of Canton, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2015

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety (police, fire, EMS); municipal court; and elected officials. The business-type activities of the City include water, wastewater, solid waste, and First Monday Trade Days operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate Canton Economic Development Corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 24 through 29 of this report.

### FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental and proprietary funds.

#### Governmental Funds

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

# City of Canton, Texas

## *MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued*

September 30, 2015

The City maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, debt service, and capital improvements funds. The general fund and debt service fund are considered to be major funds and the capital improvements fund is considered nonmajor for reporting purposes.

The City adopts an annual appropriated budget for all government and enterprise funds. A budgetary comparison statement/schedule has been provided for the governmental funds to demonstrate compliance with their budget.

The basic governmental fund financial statements can be found on pages 30 through 33 of this report.

### **Proprietary Funds**

The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its water / sewer, sanitation, and First Monday operations. All activities associated with providing such services are accounted for in this fund, including administration, operation, maintenance, debt service, capital improvements, meter maintenance, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

Proprietary financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water / sewer, sanitation, and First Monday funds since they are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 36 through 43 of this report.

### **Component Unit**

The City maintains the accounting and financial statements for one component unit. The Canton Economic Development Corporation is reported as a discretely presented component unit on the government-wide financial statements.

### **Notes to Financial Statements**

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 45 through 77 of this report.

**City of Canton, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2015**

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees and budgetary comparison for the general fund. Required supplementary information can be found on page 80 through 87 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Canton, assets exceed liabilities by \$34,976,236 as of September 30, 2015, in the primary government.

The largest portion of the City's net position, \$25,860,266, reflects its investments in capital assets (e.g., land, city hall, police station, streets, and drainage systems, as well as the public works facilities), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (3.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,862,762 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

Current and other assets of governmental activities were \$5,334,213 and \$3,676,786 as of September 30, 2015 and September 30, 2014, respectively. The increase of \$1,657,427 or 45% was due primarily to an increase in cash on hand from debt proceeds. Current and other assets of business-type activities were \$8,229,056 and \$6,228,102 as of September 30, 2015 and September 30, 2014, respectively. The increase of \$2,000,954 or 32% was due to surpluses in cash provided by operating activities during the year.

Other liabilities of governmental activities were \$531,372 and \$108,482 as of September 30, 2015 and September 30, 2014, respectively. The increase of \$422,890 was primarily due to significant amounts owed at the end of the current year to a wastewater equipment vendor and construction vendors for the City's construction of a new city hall. Similar payables were not outstanding at the end of the prior year.

**City of Canton, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2015**

**Statement of Net Position:**

The following table reflects the condensed Statement of Net Position as of September 30:

	2015			2014		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 5,334,213	\$ 8,229,056	\$ 13,563,269	\$ 3,676,786	\$ 6,288,102	\$ 9,964,888
Capital assets, net	11,985,734	18,711,665	30,697,399	12,158,318	18,505,208	30,663,526
<b>Total Assets</b>	<b>17,319,947</b>	<b>26,940,721</b>	<b>44,260,668</b>	<b>15,835,104</b>	<b>24,793,310</b>	<b>40,628,414</b>
Deferred outflows of resources	194,302	94,936	289,238	132,286	64,636	196,922
Other liabilities	531,371	313,547	844,918	108,482	301,261	409,743
Net pension liability	814,339	397,890	1,212,229	861,301	420,837	1,282,138
Long-term liabilities	2,742,814	4,666,277	7,409,091	2,214,543	3,751,667	5,966,210
<b>Total Liabilities</b>	<b>4,088,524</b>	<b>5,377,714</b>	<b>9,466,238</b>	<b>3,184,326</b>	<b>4,473,765</b>	<b>7,658,091</b>
Deferred inflows of resources	72,170	35,262	107,432	-	-	-
Net Position:						
Net investment in capital assets	10,460,628	15,399,638	25,860,266	10,328,448	14,637,447	24,965,895
Restricted	1,253,208	-	1,253,208	1,188,126	86,787	1,274,913
Unrestricted	1,639,719	6,223,043	7,862,762	1,266,490	5,659,947	6,926,437
<b>Total Net Position</b>	<b>\$ 13,353,555</b>	<b>\$ 21,622,681</b>	<b>\$ 34,976,236</b>	<b>\$ 12,783,064</b>	<b>\$ 20,384,181</b>	<b>\$ 33,167,245</b>

**City of Canton, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2015**

**Statement of Activities:**

The following table provides a summary of the City's changes in net position over the last two years:

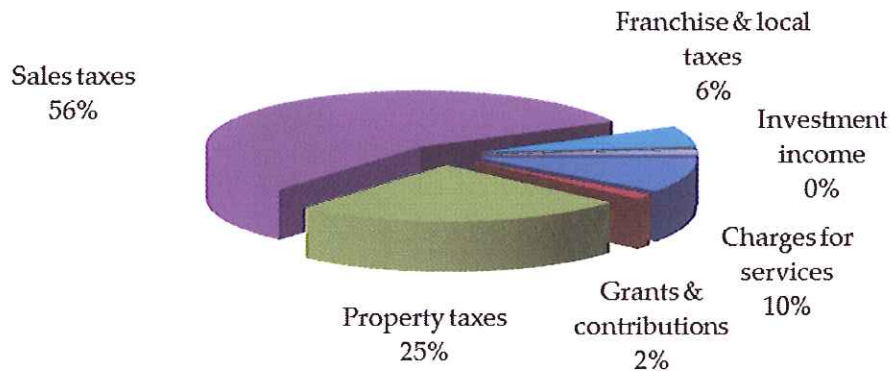
	September 30, 2015			September 30, 2014		
	Gov. Activities	Bus.-Type Activities	Total Primary Government	Gov. Activities	Bus.-Type Activities	Total Primary Government
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 454,612	\$ 5,504,448	\$ 5,959,060	\$ 466,114	\$ 5,299,397	\$ 5,765,511
Grants & contributions	65,763	128,127	193,890	144,846	108,500	253,346
General revenues:						
Property taxes	1,140,729	-	1,140,729	1,121,246	-	1,121,246
Sales taxes	2,561,510	-	2,561,510	2,461,789	-	2,461,789
Franchise & local taxes	270,784	-	270,784	313,620	-	313,620
Investment income	9,089	3,078	12,167	8,971	1,715	10,686
Other revenues	60,279	31,096	91,375	4,832	43,144	47,976
<b>Total Revenues</b>	<b>4,562,766</b>	<b>5,666,749</b>	<b>10,229,515</b>	<b>4,521,418</b>	<b>5,452,756</b>	<b>9,974,174</b>
<b>Expenses</b>						
General government	1,060,061	-	1,060,061	725,581	-	725,581
Public safety	2,034,074	-	2,034,074	1,776,166	-	1,776,166
Parks and recreation	315,011	-	315,011	299,906	-	299,906
Public works	691,552	-	691,552	929,530	-	929,530
Interest on debt	103,570	-	103,570	92,575	-	92,575
Water/Sewer	-	1,821,449	1,821,449	-	1,863,588	1,863,588
Sanitation	-	566,184	566,184	-	503,897	503,897
First Monday	-	1,828,623	1,828,623	-	1,722,232	1,722,232
<b>Total Expenses</b>	<b>4,204,268</b>	<b>4,216,256</b>	<b>8,420,524</b>	<b>3,823,758</b>	<b>4,089,717</b>	<b>7,913,475</b>
<b>Change in Net Position</b>						
<b>Before Transfers</b>	<b>358,498</b>	<b>1,450,493</b>	<b>1,808,991</b>	<b>697,660</b>	<b>1,363,039</b>	<b>2,060,699</b>
Transfers	211,993	(211,993)	-	495,589	(495,589)	-
<b>Total</b>	<b>211,993</b>	<b>(211,993)</b>	<b>-</b>	<b>495,589</b>	<b>(495,589)</b>	<b>-</b>
<b>Change in Net Position</b>	<b>570,491</b>	<b>1,238,500</b>	<b>1,808,991</b>	<b>1,193,249</b>	<b>867,450</b>	<b>2,060,699</b>
Beginning Net Position	12,783,064	20,384,181	33,167,245	11,589,815	19,516,731	31,106,546
<b>Ending Net Position</b>	<b>\$ 13,353,555</b>	<b>\$ 21,622,681</b>	<b>\$ 34,976,236</b>	<b>\$ 12,783,064</b>	<b>\$ 20,384,181</b>	<b>\$ 33,167,245</b>



**City of Canton, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2015**

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.

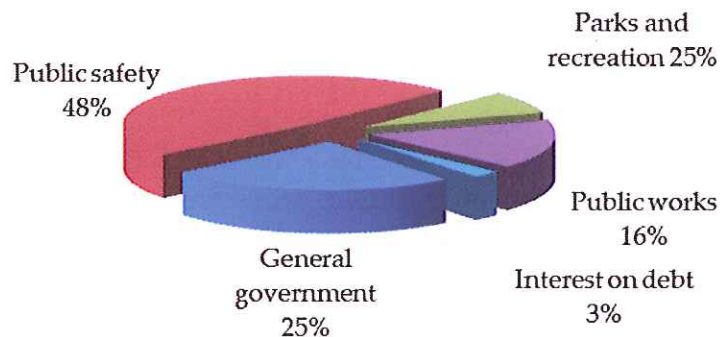
**Governmental Activities - Revenues**



For the year ended September 30, 2015, revenues from governmental activities totaled \$4,562,766. Sales tax, property taxes and charges for services are the City's largest revenue sources. Sales tax increased \$99,721 or 4% due to an increase in consumption by taxpayers compared to the prior year. Property taxes increased by \$19,483 or 2% when compared to the prior year due increases in taxable property values in the current year. Charges for services decreased by \$11,502 or 2% primarily due to a decrease in fines and forfeitures received in the current year.

This graph shows the governmental function expenses of the City:

**Governmental Activities - Expenses**

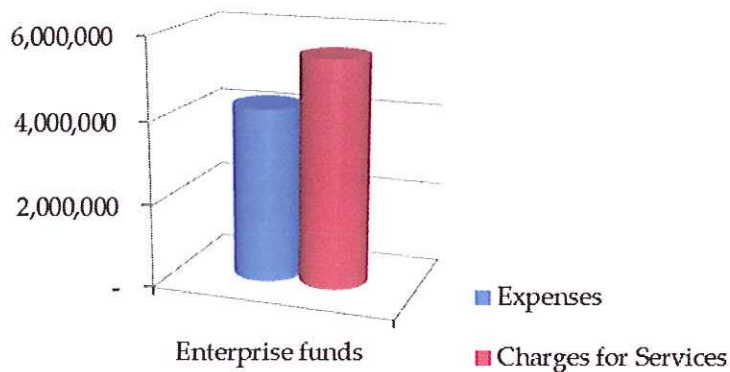


For the year ended September 30, 2015, expenses for governmental activities totaled \$4,204,268. This represents an increase of \$380,510 or 10% from the year ended September 30, 2014. General government, public safety, and public works had increases of \$334,480, \$257,908, and \$237,978, respectively. These increases were primarily due to increases in payroll, healthcare, and professional fees.

**City of Canton, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**September 30, 2015**

Business-type activities are shown comparing operating costs to revenues generated by related services.

**Business-Type Activities - Revenues  
and Expenses**



For the year ended September 30, 2015, charges for services by business-type activities totaled \$5,504,448. This is an increase of \$213,993 or 4% from the year ended September 30, 2014.

Total expenses increased \$126,539 when compared to the year ended September 30, 2014. Water/Sewer expenses decreased by \$42,139 or 2%. These costs decreased primarily due to a decrease in maintenance costs. Sanitation expenses increased by \$62,287 or 12%. The increase is due an increase in waste service charges to the City. First Monday expenses increased by \$106,391 or 6%. The increase is primarily due increases in depreciation, interest, and debt issuance costs in the current year.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information of near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the period.

As of the end of the year the general fund reflected a fund balance of \$2,644,858. Of this, \$214,967 is restricted use. Unassigned fund balance in the general fund totaled \$2,429,891.

There was an increase in governmental fund balance of \$1,237,565 from the prior period due to revenues and other financing sources exceeding expenditures.

# City of Canton, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2015

The debt service fund had an increase in fund balance of \$20,476. The increase was due to property tax revenue exceeding total expenditures during the year.

The capital improvements fund had an increase in fund balance of \$980,789. The increase was due to the unspent debt proceeds received during the year to finance the construction of a new city hall.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

### GENERAL FUND BUDGETARY HIGHLIGHTS

Final budgeted general fund revenues exceeded actual revenues by \$195,157 during the 2015 fiscal year. Actual general fund revenues exceeded budgeted revenues primarily due to sales tax revenues exceeding expectations by \$179,010.

Total expenditures were less than budgeted amounts by \$120,337 for the year. This was primarily due to budgets exceeding actual expenditures for general government, police, fire, streets, and parks.

### CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$11,985,734 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34. The City's business-type activities funds had invested \$18,711,665 in a variety of capital assets and infrastructure, net of accumulated depreciation.

Major capital asset events during the current period include the following:

- Construction costs for new city hall for \$346,436
- New vehicles for \$103,185
- Additions and improvements to water and sewer infrastructure for \$778,157
- Additions of machinery and equipment for water and sewer fund for \$261,337
- Additions to building and improvements for First Monday fund of \$118,470

More detailed information about the City's capital assets is presented in note IV. D to the financial statements.

### LONG-TERM DEBT

At the end of the current year, the City had total bonds and notes payable outstanding of \$7,044,999.

**City of Canton, Texas**  
***MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued***  
**September 30, 2015**

More detailed information about the City's long-term liabilities is presented in note IV. E to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Canton and improving services provided to their public citizens. The City is budgeting for growth in the upcoming year.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the City of Canton's finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to the City Finance Director, P.O. Box 245, Canton, Texas 75103.

## ***FINANCIAL STATEMENTS***

**City of Canton, Texas**  
**STATEMENT OF NET POSITION (Page 1 of 2)**  
**September 30, 2015**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b><u>Assets</u></b>			
Current assets:			
Cash and cash equivalents	\$ 4,881,955	\$ 4,808,430	\$ 9,690,385
Receivables, net	452,258	417,801	870,059
Note receivable from component unit - current	-	217,060	217,060
<b>Total Current Assets</b>	<b>5,334,213</b>	<b>5,443,291</b>	<b>10,777,504</b>
Noncurrent assets:			
Note receivable from component unit, net	-	2,785,765	2,785,765
Note receivable	-	-	-
Capital assets:			
Non-depreciable	3,144,362	731,744	3,876,106
Net depreciable capital assets	8,841,372	17,979,921	26,821,293
	<b>11,985,734</b>	<b>21,497,430</b>	<b>33,483,164</b>
<b>Total Assets</b>	<b>17,319,947</b>	<b>26,940,721</b>	<b>44,260,668</b>
<b><u>Deferred Outflows of Resources</u></b>			
Pension contributions	149,625	73,107	222,732
Pension investment earnings	44,677	21,829	66,506
<b>Total Deferred Outflows of Resources</b>	<b>\$ 194,302</b>	<b>\$ 94,936</b>	<b>\$ 289,238</b>

See Notes to Financial Statements.

<b>Component Unit</b>	
<b>CEDC</b>	
\$	775,638
	210,079
	-
	985,717
	-
	176,000
	1,178,958
	85,343
	1,440,301
	2,426,018
	-
	-
\$	-

**City of Canton, Texas**  
**STATEMENT OF NET POSITION (Page 2 of 2)**  
**September 30, 2015**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b><u>Liabilities</u></b>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 509,244	\$ 273,982	\$ 783,226
Accrued interest payable	22,127	39,565	61,692
Note payable to primary government - current	-	-	-
Due within one year	750,387	456,108	1,206,495
<b>Total Current Liabilities</b>	<b>1,281,758</b>	<b>769,655</b>	<b>2,051,413</b>
Noncurrent liabilities:			
Note payable to primary government, net	-	-	-
Net pension liability	814,339	397,890	1,212,229
Due in more than one year	1,992,427	4,210,169	6,202,596
	2,806,766	4,608,059	7,414,825
<b>Total Liabilities</b>	<b>4,088,524</b>	<b>5,377,714</b>	<b>9,466,238</b>
<b><u>Deferred Inflows of Resources</u></b>			
Pension (gains) losses	72,170	35,262	107,432
<b>Total Deferred Inflows of Resources</b>	<b>72,170</b>	<b>35,262</b>	<b>107,432</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	10,460,628	15,399,638	25,860,266
Restricted for:			
Public safety	40,131	-	40,131
Municipal court	45,128	-	45,128
Debt service	1,167,949	-	1,167,949
Economic development	-	-	-
Unrestricted	1,639,719	6,223,043	7,862,762
<b>Total Net Position</b>	<b>\$ 13,353,555</b>	<b>\$ 21,622,681</b>	<b>\$ 34,976,236</b>

See Notes to Financial Statements.



<u>Component Unit</u>	
<u>CEDC</u>	
\$	2,455
	8
	217,060
	130,676
	<u>350,199</u>
	2,785,765
	-
	<u>29,660</u>
	<u>2,815,425</u>
	<u>3,165,624</u>
	<u>-</u>
	<u>-</u>
	1,131,779
	-
	-
	-
	197,218
	<u>(2,068,603)</u>
\$	<u><u>(739,606)</u></u>

# City of Canton, Texas

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities</b>				
General government	\$ 1,060,061	\$ 233,749	\$ 4,699	53,013
Public safety	2,034,074	220,863	5,176	-
Public works	691,552	-	-	-
Parks and recreation	315,011	-	2,875	-
Interest on long term debt	103,570	-	-	-
<b>Total Governmental Activities</b>	<u>4,204,268</u>	<u>454,612</u>	<u>12,750</u>	<u>53,013</u>
<b>Business-Type Activities</b>				
Water and sewer	1,821,449	1,958,147	-	128,127
Sanitation	566,184	554,336	-	-
First Monday	1,828,623	2,991,965	-	-
<b>Total Business-Type Activities</b>	<u>4,216,256</u>	<u>5,504,448</u>	<u>-</u>	<u>128,127</u>
<b>Total Primary Government</b>	<u>\$ 8,420,524</u>	<u>\$ 5,959,060</u>	<u>\$ 12,750</u>	<u>\$ 181,140</u>
 <b>Component Unit</b>				
CEDC	<u>\$ 709,226</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,000</u>
		<b>General Revenues:</b>		
		Taxes		
		Property taxes		
		Sales taxes		
		Franchise and local taxes		
		Investment income		
		Other revenues		
		<b>Transfers</b>		
		<b>Total General Revenues and Transfers</b>		
		<b>Change in Net Position</b>		
		Beginning Net Position		
		Ending Net Position		

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	CEDC
\$ (768,600)	\$ -	\$ (768,600)	
(1,808,035)	-	(1,808,035)	
(691,552)	-	(691,552)	
(312,136)	-	(312,136)	
(103,570)	-	(103,570)	
(3,683,893)	-	(3,683,893)	
-	264,825	264,825	
-	(11,848)	(11,848)	
-	1,163,342	1,163,342	
-	1,416,319	1,416,319	
(3,683,893)	1,416,319	(2,267,574)	
			\$ (669,226)
1,140,729	-	1,140,729	-
2,561,510	-	2,561,510	853,734
270,784	-	270,784	273,983
9,089	3,078	12,167	2,184
60,279	31,096	91,375	77,716
211,993	(211,993)	-	-
4,254,384	(177,819)	4,076,565	1,207,617
570,491	1,238,500	1,808,991	538,391
12,783,064	20,384,181	33,167,245	(1,277,997)
\$ 13,353,555	\$ 21,622,681	\$ 34,976,236	\$ (739,606)

# City of Canton, Texas

## BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2015

	General	Debt Service	Nonmajor Capital Improvements	Total Governmental Funds
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 2,585,287	\$ 1,167,949	\$ 1,128,719	\$ 4,881,955
Receivables, net	438,574	13,684	-	452,258
<b>Total Assets</b>	<b>\$ 3,023,861</b>	<b>\$ 1,181,633</b>	<b>\$ 1,128,719</b>	<b>\$ 5,334,213</b>
<b><u>Liabilities</u></b>				
Accounts payable and accrued liabilities	\$ 361,314	\$ -	\$ 147,930	\$ 509,244
<b>Total Liabilities</b>	<b>361,314</b>	<b>-</b>	<b>147,930</b>	<b>509,244</b>
<b><u>Deferred Inflows of Resources</u></b>				
Unavailable revenue - property taxes	17,689	13,684	-	31,373
<b><u>Fund Balances</u></b>				
Restricted for:				
Capital projects	129,708	-	980,789	1,110,497
Public safety	40,131	-	-	40,131
Municipal court	45,128	-	-	45,128
Debt service	-	1,167,949	-	1,167,949
Unassigned reported in:				
General fund	2,429,891	-	-	2,429,891
<b>Total Fund Balances</b>	<b>2,644,858</b>	<b>1,167,949</b>	<b>980,789</b>	<b>4,793,596</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,023,861</b>	<b>\$ 1,181,633</b>	<b>\$ 1,128,719</b>	<b>\$ 5,334,213</b>

See Notes to Financial Statements.

# City of Canton, Texas

## RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS

September 30, 2015

<b>Fund Balances - Total Governmental Funds</b>	<b>\$ 4,793,596</b>
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### Adjustments for the Statement of Net Position:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Capital assets - non-depreciable	3,144,362
----------------------------------	-----------

Capital assets - net depreciable	8,841,372
----------------------------------	-----------

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	31,373
---	--------

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense/expenditure) until then.

Pension contributions	149,625
-----------------------	---------

Pension investment earnings	44,677
-----------------------------	--------

Pension losses	(72,170)
----------------	----------

Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.

Compensated absences	(236,919)
----------------------	-----------

Accrued interest	(22,127)
------------------	----------

Discounts on debt net of premiums	4,854
-----------------------------------	-------

Non-current liabilities due in one year	(537,160)
---	-----------

Non-current liabilities due in more than one year	(1,973,589)
---	-------------

Net pension obligation	(814,339)
------------------------	-----------

<b>Net Position of Governmental Activities</b>	<b>\$ 13,353,555</b>
--	----------------------

See Notes to Financial Statements.

# City of Canton, Texas

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

### GOVERNMENTAL FUNDS (Page 1 of 2)

For the Year Ended September 30, 2015

	General	Debt Service	Nonmajor Capital Improvements	Total Governmental Funds
<b><u>Revenues</u></b>				
Property tax	\$ 411,404	\$ 722,340	\$ -	\$ 1,133,744
Sales tax	2,561,510	-	-	2,561,510
Franchise and local taxes	270,784	-	-	270,784
License and permits	98,298	-	-	98,298
Grant revenues	37,084	-	-	37,084
Donations	28,679	-	-	28,679
Fines and forfeitures	220,863	-	-	220,863
Investment income	2,939	6,150	-	9,089
Charges for services	73,607	-	-	73,607
Rental income	61,844	-	-	61,844
Other revenue	3,142	-	-	3,142
<b>Total Revenues</b>	<b>3,770,154</b>	<b>728,490</b>	<b>-</b>	<b>4,498,644</b>
<b><u>Expenditures</u></b>				
Current:				
General government	779,168	1,521	-	780,689
Developmental services	86,076	-	-	86,076
Police	1,321,517	-	-	1,321,517
Animal control	157,791	-	-	157,791
Municipal court	221,072	-	-	221,072
Fire	442,333	-	-	442,333
Streets	330,095	-	-	330,095
Parks	292,389	-	-	292,389
Grant & donation projects	91,399	-	-	91,399
Debt service				
Issuance costs	-	-	21,500	21,500
Principal	169,241	643,224	-	812,465
Interest	11,048	63,269	-	74,317
Capital outlay	43,742	-	310,504	354,246
<b>Total Expenditures</b>	<b>3,945,871</b>	<b>708,014</b>	<b>332,004</b>	<b>4,985,889</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (175,717)</b>	<b>\$ 20,476</b>	<b>\$ (332,004)</b>	<b>\$ (487,245)</b>

See Notes to Financial Statements.

# City of Canton, Texas

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

### GOVERNMENTAL FUNDS (Page 2 of 2)

For the Year Ended September 30, 2015

#### Other Financing Sources (Uses)

Sale of capital asset	\$ 220,963	\$ -	\$ -	\$ 220,963
Insurance recoveries	26,104	-	-	26,104
Note issued	-	-	1,265,750	1,265,750
Transfers in	515,000	-	47,043	562,043
Transfers (out)	(350,050)	-	-	(350,050)
<b>Other Financing Sources (Uses)</b>	<u>412,017</u>	<u>-</u>	<u>1,312,793</u>	<u>1,724,810</u>
<b>Net Change in Fund Balances</b>	236,300	20,476	980,789	1,237,565
Beginning fund balances	2,408,558	1,147,473	-	3,556,031
<b>Ending Fund Balances</b>	<u>\$ 2,644,858</u>	<u>\$ 1,167,949</u>	<u>\$ 980,789</u>	<u>\$ 4,793,596</u>

See Notes to Financial Statements.

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# City of Canton, Texas

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2015

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$	1,237,565
---	----	-----------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay		512,959
Depreciation expense		(495,613)
Net effect of capital asset disposals		(189,930)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		6,985
--	--	-------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Pension expense		36,808
Compensated absences		(77,245)
Accrued interest		(10,013)

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Amortization of premium		2,260
Debt issued		(1,265,750)
Principal payments		812,465

		<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; padding: 2px 10px;">\$ 570,491</div>
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See Notes to Financial Statements.

**City of Canton, Texas**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**September 30, 2015**

	<u>Water &amp; Sewer</u>	<u>Sanitation</u>	<u>First Monday</u>
<b><u>Assets</u></b>			
<b><u>Current Assets</u></b>			
Cash and cash equivalents	\$ 1,612,295	\$ 116,997	\$ 3,079,138
Receivables, net	344,063	73,738	-
Note receivable from component unit	217,060	-	-
<b>Total Current Assets</b>	<u>2,173,418</u>	<u>190,735</u>	<u>3,079,138</u>
<b><u>Noncurrent Assets</u></b>			
Note receivable from component unit	2,785,765	-	-
Capital assets:			
Non-depreciable	334,231	-	397,513
Net depreciable capital assets	14,708,287	2,693	3,268,941
<b>Total Noncurrent Assets</b>	<u>17,828,283</u>	<u>2,693</u>	<u>3,666,454</u>
<b>Total Assets</b>	<u>20,001,701</u>	<u>193,428</u>	<u>6,745,592</u>
<b><u>Deferred Outflows of Resources</u></b>			
Pension contributions	43,545	2,964	26,598
Pension investment earnings	13,002	885	7,942
<b>Total Deferred Outflows of Resources</b>	<u>56,547</u>	<u>3,849</u>	<u>34,540</u>
<b><u>Liabilities</u></b>			
<b><u>Current Liabilities</u></b>			
Accounts payable and accrued liabilities	136,578	51,549	85,855
Accrued interest	27,619	-	11,946
Long-term liabilities - due in one year	391,844	3,718	60,546
<b>Total Current Liabilities</b>	<u>556,041</u>	<u>55,267</u>	<u>158,347</u>
<b><u>Noncurrent Liabilities</u></b>			
Net pension liability	236,996	16,133	144,761
Due in more than one year	3,004,436	412	1,205,321
<b>Total Liabilities</b>	<u>3,797,473</u>	<u>71,812</u>	<u>1,508,429</u>
<b><u>Deferred Inflows of Resources</u></b>			
Pension (gains) losses	21,003	1,430	12,829
<b>Total Deferred Inflows of Resources</b>	<u>21,003</u>	<u>1,430</u>	<u>12,829</u>
<b><u>Net Position</u></b>			
Net investment in capital assets	11,807,801	2,693	3,589,144
Unrestricted	4,431,971	121,342	1,669,730
<b>Total Net Position</b>	<u>\$ 16,239,772</u>	<u>\$ 124,035</u>	<u>\$ 5,258,874</u>

See Notes to Financial Statements.

<b>Total</b>	
\$	4,808,430
	417,801
	217,060
	<u>5,443,291</u>
	2,785,765
	731,744
	17,979,921
	<u>21,497,430</u>
	<u>26,940,721</u>
	73,107
	21,829
	<u>94,936</u>
	273,982
	39,565
	456,108
	<u>769,655</u>
	397,890
	4,210,169
	<u>5,377,714</u>
	35,262
	<u>35,262</u>
	15,399,638
	6,223,043
\$	<u><u>21,622,681</u></u>

# City of Canton, Texas

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS

For the Year Ended September 30, 2015

	<u>Water &amp; Sewer</u>	<u>Sanitation</u>	<u>First Monday</u>
<b><u>Operating Revenues</u></b>			
Charges for services	\$ 1,958,147	\$ 554,336	\$ 2,991,965
<b>Total Operating Revenues</b>	<u>1,958,147</u>	<u>554,336</u>	<u>2,991,965</u>
<b><u>Operating Expenses</u></b>			
Cost of sales	1,351,666	564,389	1,382,121
Depreciation	361,546	1,795	314,079
Other	350	-	99,477
<b>Total Operating Expenses</b>	<u>1,713,562</u>	<u>566,184</u>	<u>1,795,677</u>
<b>Operating Income (Loss)</b>	<u>244,585</u>	<u>(11,848)</u>	<u>1,196,288</u>
<b><u>Nonoperating Revenues (Expenses)</u></b>			
Intergovernmental	128,127	-	-
Other revenues	-	10,472	20,624
Investment income	710	-	2,368
Debt issuance cost	-	-	(21,000)
Interest expense	(107,887)	-	(11,946)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>20,950</u>	<u>10,472</u>	<u>(9,954)</u>
<b>Income (Loss) Before Transfers</b>	265,535	(1,376)	1,186,334
Transfers in	901,770	50	-
Transfers (out)	(47,043)	(48,000)	(1,018,770)
	<u>854,727</u>	<u>(47,950)</u>	<u>(1,018,770)</u>
<b>Change in Net Position</b>	1,120,262	(49,326)	167,564
Beginning net position	15,119,510	173,361	5,091,310
<b>Ending Net Position</b>	<u>\$ 16,239,772</u>	<u>\$ 124,035</u>	<u>\$ 5,258,874</u>

See Notes to Financial Statements.

<b>Total</b>	
\$	5,504,448
	<u>5,504,448</u>
	3,298,176
	677,420
	99,827
	<u>4,075,423</u>
	<u>1,429,025</u>
	128,127
	31,096
	3,078
	(21,000)
	<u>(119,833)</u>
	<u>21,468</u>
	1,450,493
	901,820
	<u>(1,113,813)</u>
	<u>(211,993)</u>
	1,238,500
	<u>20,384,181</u>
\$	<u><u>21,622,681</u></u>

**City of Canton, Texas**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS (Page 1 of 2)**  
**For the Year Ended September 30, 2015**

	<u>Water &amp; Sewer</u>	<u>Sanitation</u>	<u>First Monday</u>
<b><u>Cash Flows from Operating Activities</u></b>			
Receipts from customers	\$ 1,882,267	\$ 559,537	\$ 3,012,589
Payments to suppliers and employees	(1,415,958)	(553,950)	(1,426,542)
Net Cash Provided by Operating Activities	<u>466,309</u>	<u>5,587</u>	<u>1,586,047</u>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>			
Receivable from CEDC	215,261	-	-
Transfer in	901,770	50	-
Transfer (out)	(47,043)	(48,000)	(1,018,770)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>1,069,988</u>	<u>(47,950)</u>	<u>(1,018,770)</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>			
Capital purchases	(1,170,706)	-	(142,932)
Capital grant	128,127	-	-
Debt issuance	-	-	1,234,250
Principal paid on debt	(336,250)	-	-
Interest paid on debt	(110,475)	-	(21,000)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,489,304)</u>	<u>-</u>	<u>1,070,318</u>
<b><u>Cash Flows from Investing Activities</u></b>			
Interest on investments	710	-	2,368
Net Cash Provided by Investing Activities	<u>710</u>	<u>-</u>	<u>2,368</u>
Net Increase (Decrease) in Cash and Cash Equivalents	47,703	(42,363)	1,639,963
Beginning cash and cash equivalents	<u>1,564,592</u>	<u>159,360</u>	<u>1,439,175</u>
Ending Cash and Cash Equivalents	<u>\$ 1,612,295</u>	<u>\$ 116,997</u>	<u>\$ 3,079,138</u>

See Notes to Financial Statements.

<b>Total</b>	
<hr/>	
\$	5,454,393
	(3,396,450)
	<hr/>
	2,057,943
	<hr/>
	215,261
	901,820
	(1,113,813)
	<hr/>
	3,268
	<hr/>
	(1,313,638)
	128,127
	1,234,250
	(336,250)
	(131,475)
	<hr/>
	(418,986)
	<hr/>
	3,078
	<hr/>
	3,078
	<hr/>
	1,645,303
	3,163,127
	<hr/>
\$	<u><u>4,808,430</u></u>

**City of Canton, Texas**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS (Page 2 of 2)**  
**For the Year Ended September 30, 2015**

	<u>Water &amp; Sewer</u>	<u>Sanitation</u>	<u>First Monday</u>
<b><u>Reconciliation of Operating Income (Loss)</u></b>			
<b><u>to Net Cash Provided by Operating Activities</u></b>			
Operating Income	\$ 244,585	\$ (11,848)	\$ 1,196,288
Adjustments to reconcile operating income (loss) to net cash provided:			
Depreciation	361,546	1,795	314,079
Miscellaneous income		10,472	20,624
<b>Changes in Operating Assets and Liabilities:</b>			
<b>(Increase) Decrease in:</b>			
Accounts receivable	(75,880)	(5,271)	-
Deferred outflows of resources - pension	(18,048)	(1,228)	(11,024)
Deferred inflows of resources - pension	21,003	1,430	12,829
<b>Increase (Decrease) in:</b>			
Accounts payable and accrued liabilities	(60,564)	8,974	51,930
Compensated absences	7,335	2,194	9,669
Net pension liability	(13,668)	(931)	(8,348)
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 466,309</u></u>	<u><u>\$ 5,587</u></u>	<u><u>\$ 1,586,047</u></u>

See Notes to Financial Statements.



<u>Total</u>	
\$	1,429,025
	677,420
	31,096
	(81,151)
	(30,300)
	35,262
	340
	19,198
	(22,947)
\$	<u>2,057,943</u>

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**City of Canton, Texas**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2015**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Canton, Texas (the "City") was incorporated in 1919 and operates under a Council-Manager form of government. The City provides: police; fire; code enforcement; public works; street repair and maintenance; general administrative services; water; wastewater; and sanitation.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The Canton Economic Development Corporation ("CEDC"), although legally separate, is considered part of the reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

**Discretely Presented Component Unit**

**Canton Economic Development Corporation**

The Canton Economic Development Corporation ("CEDC") was incorporated on March 12, 1997. The CEDC serves all citizens of the City and is governed by a seven member board of directors appointed by the Canton City Council. The purpose of the CEDC is to promote economic development within the City and the State of Texas in order to enhance the employment and the public welfare for, and on behalf of, the City. The CEDC uses the same

**City of Canton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2015**

fiscal year as the City. The CEDC's financial statements are presented discretely as a part of the financial statements of the City. Copies of the CEDC's financial statements may be obtained from the Canton EDC located at 119 N. Buffalo Street, Canton Texas.

**B. Government-Wide and Fund Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and the proprietary funds.

As discussed earlier, the government has one discretely presented component unit and is shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**Governmental Funds**

Governmental funds are those funds through which most governmental functions are typically financed.

**General Fund**

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, municipal court, parks and recreation, streets, and grant and donation projects.

**Debt Service Fund**

The debt service fund is used to account for the payment of interest and principal on all general obligation bonds and other long term debt of governmental funds. The primary source of revenue for debt service is local property taxes. The City has elected to report the debt service fund as a major fund.

**City of Canton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2015**

**Capital Improvements Fund**

The City's capital improvements fund accounts for the acquisition and construction of the government's major capital facilities, other than those financed by proprietary funds. The capital improvements fund is considered to be a nonmajor fund for reporting purposes.

**Proprietary Fund Types**

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board (GASB) and all financial Accounting Standards Board's standards issued prior to November 30, 1989. Subsequent to this date, the City accounts for its enterprise funds as presented by GASB. The proprietary fund types used by the City include enterprise funds.

The government reports the following major enterprise funds:

**Water and Sewer Fund**

This fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water production and distribution system, and water collection and treatment systems. The fund also accounts for the accumulation of resources for and the payment of long-term debt. All costs are financed through charges to utility customers.

**Sanitation Fund**

This fund is used to account for the provision of garbage and brush removal services to the residents of the City. Activities of the fund include administration, operations and maintenance and contract garbage services. The fund also accounts for the accumulation of resources for and the payment of long-term debt. All costs are financed through charges to utility customers.

**City of Canton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2015**

**First Monday Fund**

This fund is used to account for the operations of the City's First Monday Trade Days. This is a self-supporting trade show operated by the City. Activities of the fund include administration and operations relating to the trade show. The fund also accounts for the accumulation of resources for and the payment of long-term debt. All costs are financed through charges to customers.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

**C. Measurement Focus and Basis of Accounting**

The government-wide statements of net position and statements of activities and all proprietary funds are accounted for on a flow of economic resources measurement focus, accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the balance sheet. Proprietary fund equity consists of net position. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and component units are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing resources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**City of Canton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2015**

The City utilizes the modified accrual basis of accounting in the governmental fund type and component units. Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues available if they are collected within 60 days of the end of the current period. Revenues susceptible to accrual include charges for services and interest on temporary investments.

Property taxes, sales taxes, franchise taxes, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Other receipts and other taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due.

The accrual basis of accounting is used for the proprietary fund types. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable, and expenses in the accounting period in which they are incurred and become measurable.

The statements of net position, statements of activities, and financial statements of proprietary fund types are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized in the accounting period in which they are earned, and expenses in the accounting period in which they are incurred.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

**City of Canton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2015**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

**1. Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

**2. Receivables and Interfund Transactions**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.



**City of Canton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2015**

All trade receivables are shown net of any allowance for uncollectible amounts.

**3. Property Taxes**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. All taxing entities in Canton County allow taxpayers to pay one-half of their taxes on or before November 30 and the other half on or before June 30, without incurring any late fees. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

**4. Inventories and Prepaid Items**

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories are valued at the lower of cost or market using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

**5. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

**City of Canton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2015**

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Infrastructure	15 - 40 years
Buildings and improvements	10 - 40 years
Machinery and equipment	5 - 20 years

**6. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. An example is a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

**7. Net Position Flow Assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

# City of Canton, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2015

### 8. Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

### 9. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (Council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The general fund balance should be at least 15% of the general fund annual expenditures. This percentage is the equivalent of 55 days expenditures. As of September 30, 2015 the general fund balance was 67% of the general fund annual expenditures. Debt service fund reserves are maintained at a level to support interest and principal payments in the event of a delay in property tax collections. The City should set aside resources to fund a reserve for

**City of Canton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2015**

years of decline and/or to fund capital out of current funds for projects that would have otherwise been funded by debt financing.

The utility fund working capital should be maintained at a minimum of 20-25% of the total operating expenditures or the equivalent of 75 days.

**10. Compensated Absences**

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Vested or accumulated vacation leave and compensated leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

It is the City's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the City's governmental funds recognize accrued compensated absences when it is paid.

**11. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed as incurred.

**City of Canton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2015**

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

**12. Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**13. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.**

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.

**City of Canton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2015**

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general fund and special revenue funds. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the City Charter is the fund level. No funds can be transferred or added to a budgeted item without Council approval. Appropriations lapse at the end of the year.

Expenditures did not exceed appropriations at the legal level of control for governmental funds during the year ended September 30, 2015.

**A. Deficit Net Position**

The CEDC had a deficit net position balance of \$739,606 as of September 30, 2015 due to long term debt obligations exceeding total assets. The long-term debt is being paid down annually as the CEDC operated at a surplus of \$538,391 during the year ended September 30, 2015. The deficit is expected to be relieved with normal ongoing activities.

**City of Canton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2015**

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

As of September 30, 2015, the primary government had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
External investment pools	2,395,537	0.11
Total fair value	<u>\$ 2,395,537</u>	
Portfolio weighted average maturity		0.11

*Interest rate risk.* In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed the anticipated cash flow requirements of the funds; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations. Authorized securities will be of the highest credit quality, and when not matched to liabilities, they will be short-term and liquid.

*Credit risk.* The City's investment policy limits investments in money market mutual funds rated as to investment quality not less than AAA by Standard & Poor's. As of September 30, 2015, the City's investment in TexPool was rated AAAM by Standard & Poor's.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2015, the market values of pledged securities and FDIC exceeded bank balances.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

**City of Canton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2015**

**TexPool**

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool is rated at AAAm. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

**B. Receivables**

The following comprise receivable balances of the primary government at year end:

	General	Debt Service	Water & Sewer	Sanitation	Total
Property taxes	\$ 18,220	\$ 13,684	\$ -	\$ -	\$ 31,904
Sales tax	417,705	-	-	-	417,705
Accounts	-	-	359,281	73,738	433,019
Fines & other	500,552	-	-	-	500,552
Allowance	(497,903)	-	(15,218)	-	(513,121)
	<u>\$ 438,574</u>	<u>\$ 13,684</u>	<u>\$ 344,063</u>	<u>\$ 73,738</u>	<u>\$ 870,059</u>

The following comprise receivable balances of the component unit at year end:

	Component Unit
Sales tax	\$ 139,235
Hotel tax	70,843
Note receivable	176,000
	<u>\$ 386,078</u>

Effective June 11, 2015 the CEDC issued a \$176,000 note receivable to a local business. The note is due on demand, but in any event, on or before December 31, 2020. The note bears interest at an interest rate of 3% per annum. The promissory note is forgivable upon performance of certain measures within the note agreement.



**City of Canton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2015**

**C. Notes Receivable**

In May 2010, The CEDC agreed to pay the costs of the water well improvements by remitting to the City from the receipts of local sales and use taxes received by the Corporation to pay the principal and interest on the 2010 Series Revenue Bonds. This was approved by a vote by the citizens of the City of Canton. Below is the detail on this note receivable.

In December 2011, The CEDC agreed to pay the costs of the construction of a water storage tower that has been financed from the proceeds of the City of Canton's Combination Tax and Revenue Certificates of Obligation, Series 2011 by remitting to the City from the receipts of local sales and use taxes received by the Corporation to pay the principal and interest. This was approved by a vote by the citizens of the City of Canton. Below is the detail on this note receivable.

	Beginning Balances	Issued	Collections	Ending Balances	Current Portion
Note receivable-EDC - 2010	\$ 650,660	\$ -	\$ (77,823)	\$ 572,837	\$ 76,122
Note receivable-EDC - 2011	2,567,426	-	(137,438)	2,429,988	140,938
<b>Total</b>	<u><u>\$ 3,218,086</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (215,261)</u></u>	<u><u>\$ 3,002,825</u></u>	<u><u>\$ 217,060</u></u>

**City of Canton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
September 30, 2015

**D. Capital Assets**

A summary of changes in governmental activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,762,321	\$ -	\$ -	\$ 2,762,321
Construction in progress	30,946	351,095	-	382,041
Total capital assets not being depreciated	<u>2,793,267</u>	<u>351,095</u>	<u>-</u>	<u>3,144,362</u>
Capital assets, being depreciated:				
Infrastructure	10,848,053	11,150	-	10,859,203
Buildings and improvements	1,151,871	26,056	-	1,177,927
Machinery and equipment	2,042,545	124,658	(386,193)	1,781,010
Total capital assets being depreciated	<u>14,042,469</u>	<u>161,864</u>	<u>(386,193)</u>	<u>13,818,140</u>
Less accumulated depreciation				
Infrastructure	(2,370,480)	(339,652)	-	(2,710,132)
Buildings and improvements	(710,761)	(52,837)	-	(763,598)
Machinery and equipment	(1,596,177)	(103,124)	196,263	(1,503,038)
Total accumulated depreciation	<u>(4,677,418)</u>	<u>(495,613)</u>	<u>196,263</u>	<u>(4,976,768)</u>
Net capital assets being depreciated	<u>9,365,051</u>	<u>(333,749)</u>	<u>(189,930)</u>	<u>8,841,372</u>
<b>Total Capital Assets</b>	<u><u>\$ 12,158,318</u></u>	<u><u>\$ 17,346</u></u>	<u><u>\$ (189,930)</u></u>	<u><u>\$ 11,985,734</u></u>

Depreciation was charged to governmental departments as follows:

General government	\$ 32,898
Police	77,958
Animal control	11,638
Fire	33,757
Streets	310,174
Parks	29,188
<b>Total Governmental Activities Depreciation Expense</b>	<u><u>\$ 495,613</u></u>

**City of Canton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2015**

A summary of changes in business-type activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
<b>Business-Type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 666,609	\$ -	\$ -	\$ 666,609
Construction in progress	1,913,080	16,838	(1,864,783)	65,135
Total capital assets not being depreciated	<u>2,579,689</u>	<u>16,838</u>	<u>(1,864,783)</u>	<u>731,744</u>
Capital assets, being depreciated:				
Infrastructure	15,715,534	833,115	1,864,783	18,413,432
Buildings and improvements	9,831,900	46,672	-	9,878,572
Machinery & equipment	2,391,197	417,013	-	2,808,210
Total capital assets being depreciated	<u>27,938,631</u>	<u>1,296,800</u>	<u>1,864,783</u>	<u>31,100,214</u>
Less accumulated depreciation				
Infrastructure	(5,587,495)	(222,817)	-	(5,810,312)
Buildings and improvements	(5,195,285)	(347,089)	-	(5,542,374)
Machinery & equipment	(1,660,093)	(107,514)	-	(1,767,607)
Total accumulated depreciation	<u>(12,442,873)</u>	<u>(677,420)</u>	<u>-</u>	<u>(13,120,293)</u>
Net capital assets being depreciated	<u>15,495,758</u>	<u>619,380</u>	<u>1,864,783</u>	<u>17,979,921</u>
<b>Total Capital Assets</b>	<u><u>\$ 18,075,447</u></u>	<u><u>\$ 636,218</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 18,711,665</u></u>

Depreciation was charged to business-type activities as follows:

Water/Sewer	\$ 361,546
Sanitation	1,795
First Monday	314,079
<b>Total Business-Type Activities Depreciation Expense</b>	<u><u>\$ 677,420</u></u>

**City of Canton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2015**

A summary of changes in component unit activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 1,178,958	\$ -	\$ -	\$ 1,178,958
Total capital assets not being depreciated	1,178,958	-	-	1,178,958
Capital assets, being depreciated:				
Buildings and improvements	28,740	-	-	28,740
Industrial park and improvements	89,400	-	-	89,400
Office equipment	8,848	-	-	8,848
Total capital assets being depreciated	126,988	-	-	126,988
Less accumulated depreciation				
Buildings and improvements	(17,802)	(2,874)	-	(20,676)
Industrial park and improvements	(11,175)	(2,235)	-	(13,410)
Office equipment	(5,789)	(1,770)	-	(7,559)
Total accumulated depreciation	(34,766)	(6,879)	-	(41,645)
Net capital assets being depreciated	92,222	(6,879)	-	85,343
<b>Total Capital Assets</b>	<b>\$ 1,271,180</b>	<b>\$ (6,879)</b>	<b>\$ -</b>	<b>\$ 1,264,301</b>

**City of Canton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2015**

**D. Long-term Debt**

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended September 30, 2015.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
<b>Governmental Activities:</b>					
Certificates of obligation	\$ 845,000	\$ -	\$ (200,000)	\$ 645,000	\$ 205,000
GO Refunding bonds	298,750	-	(73,750)	225,000	75,000
Tax notes	707,103	1,265,750	(332,104)	1,640,749	217,910
Issuance premiums	8,330	-	(5,408)	2,922	-
Issuance discounts	(10,924)	-	3,148	(7,776)	-
Notes payable	206,611	-	(206,611)	-	39,250
Compensated absences	159,673	182,740	(105,494)	236,919	213,227
<b>Total Governmental Activities</b>	<u>\$ 2,214,543</u>	<u>\$ 1,448,490</u>	<u>\$ (920,219)</u>	<u>\$ 2,742,814</u>	<u>\$ 750,387</u>
Long-term liabilities due in more than one year				<u>\$ 1,992,427</u>	
<b>Business-Type Activities:</b>					
Revenue bonds	\$ 2,740,000	\$ -	\$ (115,000)	\$ 2,625,000	\$ 120,000
Premiums	58,617	-	(3,235)	55,382	-
Discounts	(11,798)	-	647	(11,151)	-
GO Refunding bonds	896,250	-	(221,250)	675,000	225,000
Tax notes	-	1,234,250	-	1,234,250	32,091
Compensated absences	68,598	82,502	(63,303)	87,797	79,017
<b>Total Business-Type Activities</b>	<u>\$ 3,751,667</u>	<u>\$ 1,316,752</u>	<u>\$ (402,141)</u>	<u>\$ 4,666,277</u>	<u>\$ 456,108</u>
Long-term liabilities due in more than one year				<u>\$ 4,210,169</u>	

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. The general fund normally liquidates compensated absences for all governmental funds. The water/sewer, sanitation, and First Monday each liquidate their own portion of compensated absences.

**City of Canton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2015**

Long-term debt at year end was comprised of the following debt issues:

Description	Interest Rates	Original Balance	Current Balance
<b>Governmental Activities:</b>			
Certificates of obligation			
Series 2007	4.0%	\$ 1,400,000	\$ 645,000
Total		<u>1,400,000</u>	<u>645,000</u>
GO Refunding bonds			
Series 2014	3.5%	368,750	225,000
Total		<u>368,750</u>	<u>225,000</u>
Tax notes			
Series 2010	2.0%	750,000	374,999
Series 2015	1.8%	1,265,750	1,265,750
Total		<u>2,015,750</u>	<u>1,640,749</u>
<b>Business-type Activities:</b>			
Revenue bonds			
Series 2010	4.25%	1,060,000	850,000
Series 2012	3.50%	2,000,000	1,775,000
Total		<u>3,060,000</u>	<u>2,625,000</u>
GO Refunding bonds			
Series 2014	3.5%	1,381,250	675,000
Total		<u>1,381,250</u>	<u>675,000</u>
Tax notes			
Series 2015	1.79%	1,234,250	1,234,250
Total		<u>1,234,250</u>	<u>1,234,250</u>
<b>Total Long-Term Debt</b>		<u><u>\$ 9,460,000</u></u>	<u><u>\$ 7,044,999</u></u>

**City of Canton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2015**

The annual requirements to amortize debt issues outstanding at year ending were as follows:

Combination tax and revenue certificates of obligation

Year Ending September 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 422,910	\$ 70,111	\$ 493,021	\$ 152,091	\$ 129,299	\$ 281,390
2017	458,162	27,292	485,454	176,839	114,815	291,654
2018	376,890	19,757	396,647	278,110	109,413	387,523
2019	336,690	15,384	352,074	458,311	101,424	559,735
2020	341,753	9,312	351,065	473,248	91,465	564,713
2021	349,344	3,127	352,471	480,651	80,834	561,485
2022	-	-	-	150,000	72,635	222,635
2023	-	-	-	150,000	67,110	217,110
2024	-	-	-	160,000	61,585	221,585
2025	-	-	-	165,000	55,595	220,595
2026	-	-	-	175,000	49,430	224,430
2027	-	-	-	180,000	42,720	222,720
2028	-	-	-	190,000	35,260	225,260
2029	-	-	-	195,000	27,380	222,380
2030	-	-	-	200,000	19,300	219,300
2031	-	-	-	135,000	11,000	146,000
2032	-	-	-	140,000	5,600	145,600
Total	<u>\$ 2,285,749</u>	<u>\$ 144,983</u>	<u>\$ 2,430,732</u>	<u>\$ 3,859,250</u>	<u>\$ 1,074,865</u>	<u>\$ 4,934,115</u>

General Obligation Bonds

Year Ending September 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 75,000	\$ 10,260	\$ 85,260	\$ 225,000	\$ 2,838	\$ 227,838
2017	76,250	6,840	83,090	228,750	10,217	238,967
2018	73,750	3,363	77,113	221,250	7,695	228,945
Total	<u>\$ 225,000</u>	<u>\$ 20,463</u>	<u>\$ 245,463</u>	<u>\$ 675,000</u>	<u>\$ 20,750</u>	<u>\$ 695,750</u>

Tax and revenue bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of tax and revenue bonds are from taxes levied on all taxable property located within the City and revenues earned from the enterprise funds. The bonds were issued to fund improvements to the City's water and treatment facilities as well as improvements to the First Monday facilities.

**City of Canton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2015**

The following is a summary of changes in the CEDC's long-term liabilities for the year ended September 30, 2015.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Note payable	\$ 235,192	\$ -	\$ (102,670)	\$ 132,522	\$ 105,644
Compensated absences	16,776	11,038	-	27,814	25,032
<b>Total</b>	<b>\$ 251,968</b>	<b>\$ 11,038</b>	<b>\$ (102,670)</b>	<b>\$ 160,336</b>	<b>\$ 130,676</b>
<b>Long-term liabilities due in more than one year</b>				<b>\$ 29,660</b>	

The annual requirements to amortize debt issues for the CEDC outstanding at year ending September 30, 2015 were as follows:

Year Ending September 30	Principal	Interest	Total
2016	\$ 105,644	\$ 2,702	\$ 108,346
2017	26,878	144	27,022
<b>Total</b>	<b>\$ 132,522</b>	<b>\$ 2,846</b>	<b>\$ 135,368</b>

**E. Interfund Transactions**

Transfers between the primary government funds during the year were as follows:

Transfer out:	Transfer In:				Total
	General	Capital Improvements	Water/Sewer	Sanitation	
General	\$ -	\$ -	\$ 350,000	\$ 50	\$ 350,050
Water, Sewer	-	47,043	-	-	47,043
First Monday	467,000	-	551,770	-	1,018,770
Sanitation	48,000	-	-	-	48,000
<b>Total</b>	<b>\$ 515,000</b>	<b>\$ 47,043</b>	<b>\$ 901,770</b>	<b>\$ 50</b>	<b>\$ 1,463,863</b>

Amounts transferred between funds relate to amounts collected by general and enterprise funds for various governmental expenditures, capital expenditures and debt payments.



**City of Canton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2015**

**V. OTHER INFORMATION**

**A. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with over 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

**B. Contingent Liabilities**

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

**C. Arbitrage**

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the City could result. The City does anticipate that it will have an arbitrage liability and performs monthly calculations to estimate this potential liability. The City will also engage an arbitrage consultant to perform the calculations in accordance with Internal Revenue Service's rules and regulations if indicated.

**City of Canton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
September 30, 2015

**D. Construction Commitments**

The City has several active construction projects as of September 30, 2015. The open commitment amounts per project are listed below.

Project	Open Commitments at 9/30/15
Sirens/PA Systems	\$ 106,710
Mill Creek Trails	131,055
Cherry Creek Park Trails	120,960
Removal of Arch Barriers	280,315
New City Hall	1,123,295
Trade Center IV Extension	1,140,525
Historic Water Tower Renovation	147,000
New Cell Tower Construction	165,260
<b>Total</b>	<b>\$ 3,215,120</b>

**E. Operating Leases**

The City has a property lease for \$5,000 per month. The lease expires in 2016; however, there is an option to renew for two 5-year terms. The future minimum lease payments are as follows:

Year ended September 30,	Minimum Lease Payments
2016	\$ 60,000
2017	15,000
2018	-
2019	-
2020	-
Thereafter	-
<b>Total</b>	<b>\$ 75,000</b>

**F. Defined Benefit Pension Plans**

**1. Plan Description**

The City of Canton, Texas participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal

# City of Canton, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2015

Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

All eligible employees of the city are required to participate in TMRS.

#### **2. Benefits Provided**

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2014</u>	<u>Plan Year 2015</u>
Employee deposit rate	7.0%	5.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	30% of CPI Repeating	30% of CPI Repeating

**City of Canton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2015**

**Employees covered by benefit terms**

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	27
Inactive employees entitled to but not yet receiving benefits	32
Active employees	64
Total	123

**3. Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Canton were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Canton were 11.82% and 11.74% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015, were \$303,814, and were \$1,297 greater than the required contributions.

**4. Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

**Actuarial assumptions:**

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

# City of Canton, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2015

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

**City of Canton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2015**

**Discount Rate:**

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

**Changes in the Net Pension Liability:**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
<b>Balance at 12/31/13</b>	\$ 7,784,330	\$ 6,502,192	\$ 1,282,138
Changes for the year:			
Service Cost	330,020	-	330,020
Interest (on the Total Pension Liab.)	548,014	-	548,014
Difference between expected and actual experience	(137,484)	-	(137,484)
Contributions – employer	-	278,003	(278,003)
Contributions – employee	-	164,638	(164,638)
Net investment income	-	372,020	(372,020)
Benefit payments, including refunds of emp. contributions	(241,141)	(241,141)	-
Administrative expense	-	(3,883)	3,883
Other changes	-	(319)	319
Net changes	499,409	569,318	(69,909)
<b>Balance at 12/31/14</b>	<u>\$ 8,283,739</u>	<u>\$ 7,071,510</u>	<u>\$ 1,212,229</u>

**City of Canton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2015**

**Sensitivity of the net pension liability to changes in the discount rate:**

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

1% Decrease 6.00%	Current Single Rate Assumption 7.00%	1% Increase 8.00%
\$ 2,389,671	\$ 1,212,229	\$ 244,035

**Pension Plan Fiduciary Net Position:**

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at [www.tmrs.com](http://www.tmrs.com).

**5. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and investment earnings	\$ 66,506	\$ -
Differences between expected and actual economic experience	-	107,432
Contributions subsequent to the measurement date	222,732	-
<b>Total</b>	<u>\$ 289,238</u>	<u>\$ 107,432</u>

The City reported \$222,732 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2016.

**City of Canton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2015**

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:		
2015	\$	(13,425)
2016		(13,425)
2017		(13,425)
2018		(651)
2019		-
Thereafter		-
	\$	<u>(40,926)</u>

Supplemental Death Benefits Plan

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2015, 2014, and 2013 were \$5,356, \$4,651, and \$5,024, respectively, which equaled the required contributions each year.



# City of Canton, Texas

## NOTES TO FINANCIAL STATEMENTS, *Continued*

### September 30, 2015

#### G. Related Party Transactions

The President of American National Bank, Cindy Malouf, is a member of the City Council. Conflict of interest declarations have been followed in the event of business pertaining to the City and bank.

Council Member Scott Perkins leases 42 lots from the City and First Monday fund. The most current lease term is April 2014 through March 2019, and includes five options to renew the lease for additional five year terms. The monthly rent for the lease is \$2,100.

All full time City employees that are residents of the City receive a discount for utility services. There is no charge for garbage service or ambulance service subscription and the base rate for water is \$3. In addition, a flat rate of \$0.00355 is used to calculate water usage.

#### H. Restatement

Due to the implementation of GASB No. 68, the City restated its beginning net position within government activities and business-type activities to properly reflect the net pension liability and deferred outflows of resources as prescribed by this accounting standard. This adjustment was recorded at the fund level for proprietary funds only, and recorded at the government wide level for both governmental activities and business-type activities. The below tables summarize the changes to net position as a result of this change in accounting method.

In addition to the adjustment for GASB No. 68, there were corrections of errors relating to unbilled accounts receivable, accumulated depreciation, and accrued interest.

	<b>Governmental Activities</b>
Prior year ending net position, as reported	\$ 13,501,693
Removal of accrued interest at the fund level	10,386
Addition of net pension liability - GASB 68	(861,301)
Addition of def. outflow of resources - GASB 68	132,286
Restated beginning net position	<u>\$ 12,783,064</u>
	<b>Debt Service</b>
Prior year ending fund balance, as reported	\$ 1,137,087
Removal of accrued liability	10,386
Restated beginning net position	<u>\$ 1,147,473</u>

**City of Canton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
September 30, 2015

**H. Restatement Continued-**

	<b>Business-Type Activities</b>
Prior year ending net position, as reported	\$ 20,621,612
Adjustment to accumulated depreciation	(6,642)
Adjustment to unbilled accounts receivable	125,412
Addition of net pension liability - GASB 68	(420,837)
Addition of def. outflow of resources - GASB 68	64,636
Restated beginning net position	<u>\$ 20,384,181</u>

	<b>Water/Sewer</b>
Prior year ending net position, as reported	\$ 15,240,298
Adjustment to accumulated depreciation	(6,642)
Adjustment to unbilled accounts receivable	98,019
Addition of net pension liability - GASB 68	(250,664)
Addition of def. outflow of resources - GASB 68	38,499
Restated beginning net position	<u>\$ 15,119,510</u>

	<b>Sanitation</b>
Prior year ending net position, as reported	\$ 160,411
Adjustment for unbilled accounts receivable	27,393
Addition of net pension liability - GASB 68	(17,064)
Addition of def. outflow of resources - GASB 68	2,621
Restated beginning net position	<u>\$ 173,361</u>

	<b>First Monday</b>
Prior year ending net position, as reported	\$ 5,220,903
Addition of net pension liability - GASB 68	(153,109)
Addition of def. outflow of resources - GASB 68	23,516
Restated beginning net position	<u>\$ 5,091,310</u>

**I. Subsequent Events**

On December 1, 2015, the City borrowed \$379,000 to purchase a fire truck. The promissory note bears interest at 2.7%, and is payable in semi-annual installments through November 1, 2025.

**City of Canton, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2015**

There were no other material subsequent events through the date the financial statements were issued.

**J. New Accounting Pronouncements**

The City has adopted the provision of Governmental Accounting Standard Board (GASB) Statement No. 68, entitled Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. As part of GASB 68 the City is required to record its net funded pension liability.

GASB also issued Statement No. 69, entitled Government Combinations and Disposals of Government Operation, and GASB Statement No. 70, entitled Accounting and Financial Reporting for Nonexchange Financial Guarantees. Both statements were adopted this fiscal year but had no effect on these accompanying financial statements.

The, GASB has issued Statement No. 72, entitled Fair Value Measurement and Application; Statement No. 73, entitled, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to certain Provisions of GASB Statements 67 and 68; GASB Statement No. 74 entitled, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans; GASB Statement No. 75, entitled, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions; GASB Statement No. 76; entitled, The Hierarchy of Generally Accepted Accounting Principles for State and Local Government; and GASB Statement No. 77; entitled, Tax Abatement Disclosures, which will require adoption in the future, if applicable. These statements may or will have a material effect on the City's financial statements once implemented. The City will be analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective date.

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***REQUIRED SUPPLEMENTARY INFORMATION***

# City of Canton, Texas

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Page 1 of 2)

### GENERAL FUND

For the Year Ended September 30, 2015

	Original Budget	Final Budget	2015 Actual
<b><u>Revenues</u></b>			
Property tax	\$ 408,007	\$ 408,007	\$ 411,404
Sales tax	2,365,000	2,382,500	2,561,510
Franchise and local taxes	239,000	239,000	270,784
License and permits	55,000	105,000	98,298
Grant revenues	660,110	51,930	37,084
Donations	22,630	27,810	28,679
Fines and forfeitures	222,750	227,750	220,863
Investment income	2,000	2,000	2,939
Charges for services	61,400	69,400	73,607
Rental income	59,100	59,100	61,844
Other revenue	1,000	2,500	3,142
<b>Total Revenues</b>	<b>4,095,997</b>	<b>3,574,997</b>	<b>3,770,154</b>
<b><u>Expenditures</u></b>			
Current:			
General government	840,295	870,041	779,168
Developmental services	89,189	89,189	86,076
Police	1,327,892	1,357,892	1,321,517
Animal control	159,570	159,570	157,791
Municipal court	194,502	194,502	221,072
Fire	487,063	487,063	442,333
Streets	417,110	437,110	330,095
Parks	321,716	327,716	292,389
Grant & donation projects	761,780	91,625	91,399
Debt service - principal	-	-	169,241
Debt service - interest	-	-	11,048
Capital Outlay	41,000	51,500	43,742
<b>Total Expenditures</b>	<b>4,640,117</b>	<b>4,066,208</b>	<b>3,945,871</b>
<b>Revenues Over (Under) Expenditures</b>	<b>\$ (544,120)</b>	<b>\$ (491,211)</b>	<b>\$ (175,717)</b>

**Variance with  
Final Budget  
Positive  
(Negative)**

\$	3,397
	179,010
	31,784
	(6,702)
	(14,846)
	869
	(6,887)
	939
	4,207
	2,744
	642
	<u>195,157</u>

	90,873
	3,113
	36,375
	1,779
	(26,570)
	44,730
	107,015
	35,327
	226
	(169,241)
	(11,048)
	7,758
	<u>120,337</u>
\$	<u>315,494</u>

**City of Canton, Texas**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL (Page 2 of 2)**  
**GENERAL FUND**  
**For the Year Ended September 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2015 Actual</u>
<b><u>Other Financing Sources (Uses)</u></b>			
Sale of capital assets	\$ -	\$ 40,000	\$ 220,963
Insurance recoveries	-	-	26,104
Transfers in	515,000	515,000	515,000
Transfers (out)	-	-	(350,050)
<b>Total Other Financing Sources (Uses)</b>	<u>515,000</u>	<u>555,000</u>	<u>412,017</u>
<b>Net Change in Fund Balance</b>	<u>\$ (29,120)</u>	<u>\$ 63,789</u>	236,300
Beginning fund balance			2,408,558
<b>Ending Fund Balance</b>			<u><u>\$ 2,644,858</u></u>

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).



<b>Variance with Final Budget Positive (Negative)</b>	
<hr/>	
\$	180,963
	26,104
	-
	(350,050)
	<hr/>
	(142,983)
	<hr/>
\$	172,511
	<hr/>

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# City of Canton, Texas

## SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - TMRS

September 30, 2015

	12/31/2014 <sup>1</sup>
<b>Total pension liability</b>	
Service cost	\$ 330,020
Interest (on the Total Pension Liability)	548,014
Changes in benefit terms	-
Differences between expected and actual experience	(137,484)
Changes of assumptions	-
Benefit payments, including refunds of participant contributions	(241,141)
<b>Net change in total pension liability</b>	<u>499,409</u>
<b>Total pension liability - beginning</b>	<u>7,784,330</u>
<b>Total pension liability - ending (a)</b>	\$ 8,283,739
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ 278,003
Contributions - members	164,638
Net investment income	372,020
Benefit payments, including refunds of participant contributions	(241,141)
Administrative expenses	(3,883)
Other	(319)
<b>Net change in plan fiduciary net position</b>	<u>569,318</u>
<b>Plan fiduciary net position - beginning</b>	<u>6,502,192</u>
<b>Plan fiduciary net position - ending (b)</b>	\$ 7,071,510
<b>Fund's net pension liability - ending (a) - (b)</b>	<u>\$ 1,212,229</u>
Plan fiduciary net position as a percentage of the total pension liability	85.37%
<b>Covered employee payroll</b>	\$ 2,351,967
<b>Fund's net position as a percentage of covered employee payroll</b>	51.54%

### Notes to schedule:

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

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## September 30, 2015

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

**Valuation Date:**

### Methods and Assumptions Used to Determine Contribution Rates:

**Other Information:**

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***INDIVIDUAL FUND BUDGET TO ACTUAL  
SCHEDULES***

**City of Canton, Texas**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
**For the Year Ended September 30, 2015**

	Original Budget	Final Budget	2015 Actual
<b><u>Revenues</u></b>			
Property taxes	\$ 721,315	\$ 721,315	\$ 722,340
Investment income	4,500	4,500	6,150
<b>Total Revenues</b>	<u>725,815</u>	<u>725,815</u>	<u>728,490</u>
<b><u>Expenditures</u></b>			
Current:			
Agent fees	1,300	1,300	1,521
Debt service:			
Principal	643,224	643,224	643,224
Interest	77,066	77,616	63,269
<b>Total Expenditures</b>	<u>721,590</u>	<u>722,140</u>	<u>708,014</u>
<b>Net Change in Fund Balance</b>	<u>\$ 4,225</u>	<u>\$ 3,675</u>	20,476
Beginning fund balance			1,147,473
<b>Ending Fund Balance</b>			<u>\$ 1,167,949</u>

Notes to Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).



<b>Variance with Final Budget Positive (Negative)</b>	
\$	1,025
	<u>1,650</u>
	<u>2,675</u>
	(221)
	-
	<u>14,347</u>
	<u>14,126</u>
\$	<u><u>16,801</u></u>

**City of Canton, Texas**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**CAPITAL IMPROVEMENTS FUND**  
**For the Year Ended September 30, 2015**

	Original Budget	Final Budget	2015 Actual
<b><u>Expenditures</u></b>			
Capital outlay	\$ 3,000,000	\$ 299,250	\$ 310,504
Debt service - Issuance costs	55,000	55,000	21,500
<b>Total Expenditures</b>	<u>3,055,000</u>	<u>354,250</u>	<u>332,004</u>
<b><u>Other Financing Sources</u></b>			
Transfers in	-	-	47,043
Debt issued	3,055,000	1,244,250	1,265,750
<b>Total Other Financing Sources</b>	<u>3,055,000</u>	<u>1,244,250</u>	<u>1,312,793</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ 890,000</u>	980,789
Beginning fund balance			-
<b>Ending Fund Balance</b>			<u>\$ 980,789</u>

Notes to Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

**Variance with  
Final Budget  
Positive  
(Negative)**

\$	(11,254)
	33,500
	<u>22,246</u>

	47,043
	21,500
	<u>68,543</u>

\$	<u><u>90,789</u></u>
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## STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents	Page
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<b>Financial Trends</b>	96
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These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

<b>Revenue Capacity</b>	106
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These schedules contain information to help the reader assess the City's most significant local revenue source, sales and property tax.

<b>Debt Capacity</b>	114
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These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

<b>Demographic and Economic Information</b>	124
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

<b>Operating Information</b>	128
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These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

**City of Canton, Texas**  
**NET POSITION BY COMPONENT**  
*Last Ten Fiscal Years*  
 (accrual basis of accounting)

	2006	2007	2008	2009
<b>Governmental activities</b>				
Net investment in				
capital assets	\$ 4,052,709	\$ 4,780,990	\$ 4,780,990	\$ 8,917,364
Restricted	1,749,141	1,068,338	1,068,338	1,439,063
Unrestricted	773,952	1,228,978	1,228,978	(2,628,049)
<b>Total governmental activities Net</b>				
<b>Position</b>	<u>\$ 6,575,802</u>	<u>\$ 7,078,306</u>	<u>\$ 7,078,306</u>	<u>\$ 7,728,378</u>
 <b>Business-type activities</b>				
Net investment in				
capital assets	\$ 7,246,782	\$ 8,049,798	\$ 8,049,798	\$ 8,847,997
Restricted	-	-	-	-
Unrestricted	1,057,221	1,182,662	1,182,662	1,722,995
<b>Total business-type activities</b>				
<b>Net Position</b>	<u>\$ 8,304,003</u>	<u>\$ 9,232,460</u>	<u>\$ 9,232,460</u>	<u>\$ 10,570,992</u>
 <b>Primary government</b>				
Net investment in				
capital assets	\$ 11,299,491	\$ 12,830,788	\$ 12,830,788	\$ 17,765,361
Restricted	1,749,141	1,068,338	1,068,338	1,439,063
Unrestricted	1,831,173	2,411,640	2,411,640	(905,054)
<b>Total primary government Net</b>				
<b>Position</b>	<u>\$ 14,879,805</u>	<u>\$ 16,310,766</u>	<u>\$ 16,310,766</u>	<u>\$ 18,299,370</u>

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 6,879,822	\$ 8,630,990	\$ 9,103,788	\$ 9,664,211	\$ 10,328,448	\$ 10,460,628
1,088,389	518,215	1,022,432	91,213	1,188,126	1,253,208
554,154	1,713,158	1,151,819	2,553,020	1,266,490	1,639,719
<u>\$ 8,522,365</u>	<u>\$ 10,862,363</u>	<u>\$ 11,278,039</u>	<u>\$ 12,308,444</u>	<u>\$ 12,783,064</u>	<u>\$ 13,353,555</u>
\$ 10,025,715	\$ 11,782,292	\$ 13,004,997	\$ 14,099,071	\$ 14,637,447	\$ 15,399,638
130,509	99,246	81,223	98,576	86,787	-
1,111,558	2,043,836	6,236,087	5,556,515	5,659,947	6,223,043
<u>\$ 11,267,782</u>	<u>\$ 13,925,374</u>	<u>\$ 19,322,307</u>	<u>\$ 19,754,162</u>	<u>\$ 20,384,181</u>	<u>\$ 21,622,681</u>
\$ 16,905,537	\$ 20,413,282	\$ 22,108,785	\$ 23,763,282	\$ 24,965,895	\$ 25,860,266
1,218,898	617,461	1,103,655	189,789	1,274,913	1,253,208
1,665,712	3,756,994	7,387,906	8,109,535	6,926,437	7,862,762
<u>\$ 19,790,147</u>	<u>\$ 24,787,737</u>	<u>\$ 30,600,346</u>	<u>\$ 32,062,606</u>	<u>\$ 33,167,245</u>	<u>\$ 34,976,236</u>

# City of Canton, Texas

## CHANGES IN NET POSITION

### Last Ten Fiscal Years

(accrual basis of accounting)

	2006	2007	2008	2009
<b>Expenses</b>				
Governmental activities:				
General government	\$ 834,783	\$ 695,308	\$ 706,877	\$ 975,534
Public safety	1,124,601	1,297,739	1,473,409	1,463,891
Public works	311,485	466,698	596,873	765,471
Public services and operations	164,485	215,320	344,222	276,339
Parks and recreation	197,652	171,891	293,487	381,200
Interest expense	266,110	210,684	298,690	186,529
Unallocated depreciation	263,996	272,261	-	-
<b>Total governmental activities expenses</b>	<b>3,163,112</b>	<b>3,329,901</b>	<b>3,713,558</b>	<b>4,048,964</b>
Business-type activities:				
Water and sewer	2,260,908	2,231,605	1,851,540	2,133,803
Sanitation	-	-	577,327	614,118
First Monday	2,769,036	2,884,669	2,911,402	2,891,481
<b>Total business-type activities expenses</b>	<b>5,029,944</b>	<b>5,116,274</b>	<b>5,340,269</b>	<b>5,639,402</b>
<b>Total primary government expenses</b>	<b>\$ 8,193,056</b>	<b>\$ 8,446,175</b>	<b>\$ 9,053,827</b>	<b>\$ 9,688,366</b>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$ 245,698	\$ 121,906	\$ 129,515	\$ 32,957
Public safety	188,708	294,643	-	55,081
Public works	5,071	2,055	-	-
Public services and operations	61,016	61,591	202,404	314,253
<b>Total governmental activities program revenues</b>	<b>500,493</b>	<b>480,195</b>	<b>331,919</b>	<b>402,291</b>
Business-type activities:				
Charges for services:				
Water and sewer	2,102,690	2,036,062	1,747,927	1,873,195
Sanitation	-	-	602,820	556,578
First Monday	3,385,051	3,515,950	3,332,549	3,428,312
<b>Total business-type activities program revenues</b>	<b>5,487,741</b>	<b>5,552,012</b>	<b>5,683,296</b>	<b>5,858,085</b>
<b>Total primary government program revenues</b>	<b>\$ 5,988,234</b>	<b>\$ 6,032,207</b>	<b>\$ 6,015,215</b>	<b>\$ 6,260,376</b>
<b>Net (Expense)/Revenue</b>				
Governmental activities	\$ (2,662,619)	\$ (2,849,706)	\$ (3,381,639)	\$ (3,646,673)
Business-type activities	457,797	435,738	343,027	218,683
<b>Total primary government net expense</b>	<b>\$ (2,204,822)</b>	<b>\$ (2,413,968)</b>	<b>\$ (3,038,612)</b>	<b>\$ (3,427,990)</b>



2010	2011	2012	2013	2014	2015
\$ 821,677	\$ 884,368	\$ 966,692	\$ 951,008	\$ 725,581	\$ 1,060,061
1,584,341	1,682,441	1,659,571	1,712,959	1,776,166	2,034,074
668,367	659,366	645,380	642,939	322,669	691,552
278,595	301,828	273,145	323,425	606,861	-
277,565	276,160	287,693	293,094	299,906	315,011
155,545	203,416	151,592	120,239	92,575	103,570
-	-	-	-	-	-
3,786,090	4,007,579	3,984,073	4,043,664	3,823,758	4,204,268
1,852,580	1,857,049	1,830,652	1,895,691	1,863,588	1,821,449
543,142	573,396	525,861	536,929	503,897	566,184
2,087,038	1,753,961	1,730,693	1,722,955	1,722,232	1,828,623
4,482,760	4,184,406	4,087,206	4,155,575	4,089,717	4,216,256
\$ 8,268,850	\$ 8,191,985	\$ 8,071,279	\$ 8,199,239	\$ 7,913,475	\$ 8,420,524
\$ 30,325	\$ 64,276	\$ 69,959	\$ 179,437	\$ 36,046	\$ 291,461
42,465	95,932	199,989	21,755	26,455	226,039
-	1,809	-	-	-	-
276,852	396,541	269,329	370,285	403,613	2,875
349,642	558,558	539,277	571,477	466,114	520,375
1,636,119	1,947,269	1,838,225	1,802,741	1,815,831	2,086,274
553,448	587,270	567,465	552,804	542,756	554,336
2,624,051	2,657,207	2,892,819	2,735,419	2,940,810	2,991,965
4,813,618	5,191,746	5,298,509	5,090,964	5,299,397	5,632,575
\$ 5,163,260	\$ 5,750,304	\$ 5,837,786	\$ 5,662,441	\$ 5,765,511	\$ 6,152,950
\$ (3,436,448)	\$ (3,449,021)	\$ (3,444,796)	\$ (3,472,187)	\$ (3,357,644)	\$ (3,683,893)
330,858	1,007,340	1,211,303	935,389	1,209,680	1,416,319
\$ (3,105,590)	\$ (2,441,681)	\$ (2,233,493)	\$ (2,536,798)	\$ (2,147,964)	\$ (2,267,574)

**City of Canton, Texas**  
**CHANGES IN NET POSITION (Continued)**  
*Last Ten Fiscal Years*  
 (accrual basis of accounting)

	2006	2007	2008	2009
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities:				
Taxes:				
Property taxes	\$ 847,126	\$ 961,661	\$ 1,055,951	\$ 1,058,246
Sales taxes	1,937,551	1,994,083	2,157,257	2,112,512
Franchise and local taxes	271,842	320,108	265,162	218,229
Investment earnings	115,021	78,512	111,716	16,717
Insurance reimbursement	126,660	322	8,776	-
FEMA reimbursement	-	-	56,873	3,373
Miscellaneous	78,581	39,750	20,862	52,605
Extraordinary loss	-	(300,000)	-	-
Operating & capital grants & donations	-	312,144	616,524	98,531
Intergovernmental-state and local	86,744	-	115,000	248,688
Transfers, net	(793,876)	(43,517)	(365,390)	441,333
Total governmental activities	<u>2,669,649</u>	<u>3,363,063</u>	<u>4,042,731</u>	<u>4,250,234</u>
Business-type activities:				
Investment earnings	41,829	94,252	46,819	8,652
Hotel/motel	131,989	157,477	183,557	220,532
Miscellaneous	-	-	74,567	31,588
Sale of assets	12,646	-	(205)	-
Operating & capital grants & donations	-	28,000	-	503,617
Intergovernmental-state & local	386,214	125,000	80,000	143,635
Transfers, net	793,876	43,517	365,390	(441,333)
Total business-type activities	<u>1,366,554</u>	<u>448,246</u>	<u>750,128</u>	<u>466,691</u>
Total primary government	<u>\$ 4,036,203</u>	<u>\$ 3,811,309</u>	<u>\$ 4,792,859</u>	<u>\$ 4,716,925</u>
<b>Change in Net Position</b>				
Governmental activities	\$ 7,030	\$ 513,357	\$ 661,092	\$ 603,561
Business-type activities	1,824,351	883,984	1,093,155	685,374
Total primary government	<u>\$ 1,831,381</u>	<u>\$ 1,397,341</u>	<u>\$ 1,754,247</u>	<u>\$ 1,288,935</u>

2010	2011	2012	2013	2014	2015
\$ 1,147,211	\$ 1,104,103	\$ 1,120,330	\$ 1,114,335	\$ 1,121,246	\$ 1,140,729
2,087,499	2,151,471	2,264,281	2,393,254	2,461,789	2,561,510
236,694	283,430	260,605	235,750	313,620	270,784
11,859	15,200	8,509	8,407	8,971	9,089
-	-	-	-	-	-
-	-	-	-	-	-
56,807	9,701	29,938	7,762	4,832	60,279
-	-	-	-	-	-
288,862	463,021	223,649	60,748	144,846	-
-	-	-	50,000	-	-
331,682	333,035	23,238	594,585	495,589	211,993
4,160,614	4,359,961	3,930,550	4,464,841	4,550,893	4,254,384
7,174	3,926	4,782	1,478	1,715	3,078
210,697	63,410	-	-	-	-
69,182	30,003	40,887	27,955	43,144	31,096
-	-	-	-	-	-
1,069,158	85,308	4,245,941	-	108,500	-
20,000	-	-	90,000	-	-
(331,682)	(333,035)	(23,238)	(594,585)	(495,589)	(211,993)
1,044,529	(150,388)	4,268,372	(475,152)	(342,230)	(177,819)
\$ 5,205,143	\$ 4,209,573	\$ 8,198,922	\$ 3,989,689	\$ 4,208,663	\$ 4,076,565
\$ 724,166	\$ 910,940	\$ 485,754	\$ 992,654	\$ 1,193,249	\$ 570,491
1,375,387	856,952	5,479,675	460,237	867,450	1,238,500
\$ 2,099,553	\$ 1,767,892	\$ 5,965,429	\$ 1,452,891	\$ 2,060,699	\$ 1,808,991

**City of Canton, Texas**  
**FUND BALANCES, GOVERNMENTAL FUNDS**  
*Last Ten Years*  
(modified accrual basis of accounting)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General fund:				
Assigned	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	79,650
Unassigned	1,148,056	960,626	1,192,632	635,926
Total general fund	<u>\$ 1,148,056</u>	<u>\$ 960,626</u>	<u>\$ 1,192,632</u>	<u>\$ 715,576</u>
 All other governmental funds:				
Restricted	\$ 1,463,249	\$ 1,466,971	\$ 1,439,063	\$ 1,034,399
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned, reported in:				
Special revenue funds	-	-	-	-
Total all other governmental funds	<u>\$ 1,463,249</u>	<u>\$ 1,466,971</u>	<u>\$ 1,439,063</u>	<u>\$ 1,034,399</u>

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 119,140	\$ 2,666	\$ -	\$ -	\$ -	\$ -
39,679	39,455	35,254	38,213	43,650	214,967
716,087	1,177,088	1,214,037	1,795,405	2,364,908	2,429,891
<u>\$ 874,906</u>	<u>\$ 1,219,209</u>	<u>\$ 1,249,291</u>	<u>\$ 1,833,618</u>	<u>\$ 2,408,558</u>	<u>\$ 2,644,858</u>
\$ 983,567	\$ 1,337,086	\$ 1,192,338	\$ 1,053,664	\$ 1,147,473	\$ 2,148,738
-	123,697	-	-	-	-
-	98,820	92,586	-	-	-
-	-	(58,173)	-	-	-
<u>\$ 983,567</u>	<u>\$ 1,559,603</u>	<u>\$ 1,226,751</u>	<u>\$ 1,053,664</u>	<u>\$ 1,147,473</u>	<u>\$ 2,148,738</u>

**City of Canton, Texas**  
**CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS**  
*Last Ten Years*  
(modified accrual basis of accounting)

	2006	2007	2008	2009
<b>Revenues</b>				
Taxes	\$ 847,126	\$ 961,660	\$ 1,055,951	\$ 1,068,738
Non-property taxes	2,209,393	2,314,191	2,422,419	2,330,741
License and permits	65,757	33,114	90,420	49,565
Charges for services	12,556	17,321	23,693	74,221
Fines and forfeitures	129,011	275,099	178,711	196,187
Capital & operating grants	29,679	312,144	446,870	98,531
Rental income	43,145	32,755	39,095	32,957
Donations	-	-	169,654	3,373
Investment income	115,022	78,511	111,715	16,717
<b>Total Revenues</b>	<b>3,451,689</b>	<b>4,024,795</b>	<b>4,538,528</b>	<b>3,871,030</b>
<b>Expenditures</b>				
General government	1,117,052	993,892	891,451	1,132,721
Public safety	1,072,538	1,348,594	2,038,530	1,934,821
Public works	635,711	985,848	1,882,229	1,747,843
Parks and recreation	287,619	246,987	319,171	563,291
Capital outlay	29,548	-	-	-
Debt service				
Issuance costs	-	-	-	-
Interest	244,663	253,142	556,193	633,988
Principal	265,990	208,712	329,062	143,426
<b>Total Expenditures</b>	<b>3,653,121</b>	<b>4,037,175</b>	<b>6,016,636</b>	<b>6,156,090</b>
Excess of Revenues Over (Under) Expenditures	(201,432)	(12,380)	(1,478,108)	(2,285,060)
<b>Other Financing Sources (Uses)</b>				
Sale of assets	-	-	-	29,487
Debt proceeds	-	-	1,900,000	380,000
Escrow payment of retired debt	-	-	-	-
Intergovernmental	-	-	195,000	248,688
FEMA reimbursements	-	-	56,873	-
Insurance reimbursement	126,660	322	8,776	49,361
Extraordinary loss	-	(300,000)	-	-
Miscellaneous	328,603	189,355	20,863	52,605
Transfers	(793,876)	(71,220)	(445,390)	448,279
<b>Total Other Financing Sources (Uses)</b>	<b>(338,613)</b>	<b>(181,543)</b>	<b>1,736,122</b>	<b>1,208,420</b>
<b>Net Change in Fund Balances</b>	<b>\$ (540,045)</b>	<b>\$ (193,923)</b>	<b>\$ 258,014</b>	<b>\$ (1,076,640)</b>
Debt service as a percentage of noncapital expenditures	16.40%	12.92%	17.25%	14.45%

	2010	2011	2012	2013	2014	2015
\$	1,147,211	\$ 1,104,103	\$ 1,116,283	\$ 1,114,335	\$ 1,137,994	\$ 1,133,744
	2,324,193	2,434,901	2,524,886	2,629,004	2,775,409	2,832,294
	43,873	64,018	51,070	89,330	109,307	98,298
	67,565	67,738	61,981	60,232	58,648	73,607
	167,744	342,061	337,264	223,077	242,171	220,863
	279,767	349,937	154,708	12,775	141,830	37,084
	48,601	46,697	48,937	48,240	54,346	61,844
	9,095	7,584	6,879	270	7,555	31,821
	11,860	15,200	8,510	8,408	8,971	9,089
	<u>4,099,909</u>	<u>4,432,239</u>	<u>4,310,518</u>	<u>4,185,671</u>	<u>4,536,231</u>	<u>4,498,644</u>
	795,167	849,814	928,968	1,034,573	710,861	1,179,236
	1,459,063	1,507,941	1,518,593	1,541,765	1,637,044	1,921,641
	708,120	686,958	637,721	670,256	597,702	330,095
	221,869	238,155	234,709	246,285	262,257	292,389
	369,691	743,531	550,590	421,675	305,707	354,246
	-	22,100	-	-	29,584	21,500
	667,482	690,342	717,439	751,833	627,604	74,317
	180,367	186,381	153,514	126,883	107,670	812,465
	<u>4,401,759</u>	<u>4,925,222</u>	<u>4,741,534</u>	<u>4,793,270</u>	<u>4,278,429</u>	<u>4,985,889</u>
	(301,850)	(492,983)	(431,016)	(607,599)	257,802	(487,245)
	-	-	-	-	-	220,963
	-	750,000	-	-	368,750	1,265,750
	-	-	-	-	(470,250)	-
	-	105,500	41,650	228,147	-	-
	-	-	-	-	-	-
	40,136	34,336	39,322	149,497	-	26,104
	-	-	-	-	-	-
	38,531	13,407	24,139	8,861	6,472	-
	331,681	333,035	23,238	594,585	495,589	211,993
	<u>410,348</u>	<u>1,236,278</u>	<u>128,349</u>	<u>981,090</u>	<u>400,561</u>	<u>1,724,810</u>
\$	<u>108,498</u>	<u>\$ 743,295</u>	<u>\$ (302,667)</u>	<u>\$ 373,491</u>	<u>\$ 658,363</u>	<u>\$ 1,237,565</u>
	26.63%	27.38%	26.23%	25.16%	23.84%	24.39%

# City of Canton, Texas

## ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

### Last Nine Fiscal Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Residential real estate	\$ 132,898,480	\$ 134,823,670	\$ 184,651,730	\$ 139,534,250
Commercial real estate	129,840,220	102,566,320	85,766,718	179,636,930
Other Property	33,133,740	33,206,420	28,283,792	9,891,220
Less: tax-exempt property	(35,614,780)	(27,361,518)	(45,556,942)	(42,279,716)
Taxable value	<u>\$ 260,257,660</u>	<u>\$ 243,234,892</u>	<u>\$ 253,145,298</u>	<u>\$ 286,782,684</u>
Total direct property tax rate	0.390000	0.425230	0.425230	0.425230

**Source:** Van Zandt County Appraisal District

**Note:** Property is reassessed annually. Property is assessed at actual value; therefore, the assessed values are equal to actual value.

Tax rates are per \$100 of assessed value.

Years will continue to be added until there are 10 years for comparison



<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 139,947,640	\$ 148,369,050	\$ 146,435,480	\$ 156,782,282	\$ 196,091,860
164,330,874	154,960,053	158,059,040	150,933,786	90,302,440
10,976,940	6,287,803	5,808,060	4,156,300	37,103,113
(53,090,014)	(47,777,448)	(46,176,854)	(47,300,774)	(51,814,346)
<u>\$ 262,165,440</u>	<u>\$ 261,839,458</u>	<u>\$ 264,125,726</u>	<u>\$ 264,571,594</u>	<u>\$ 271,683,067</u>
0.425230	0.425230	0.425230	0.420332	0.420332

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# City of Canton, Texas

## PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

*Last Ten Years*

Fiscal Year Ended 9/30	Operating/ General Rate	General Obligation Debt Service	Total Direct	Canton Independent School District	Van Zandt County
2007	\$ 0.1851	\$ 0.2049	\$ 0.3900	\$ 1.4710	\$ 0.3553
2008	0.2252	0.2000	0.4252	1.4710	0.3869
2009	0.1012	0.3240	0.4252	1.4710	0.3869
2010	0.1271	0.2981	0.4252	1.4710	0.4270
2011	0.0982	0.3270	0.4252	1.4710	0.4701
2012	0.0982	0.3270	0.4252	1.4710	0.4701
2013	0.0982	0.3270	0.4252	1.4710	0.4701
2014	0.1033	0.3170	0.4203	1.4710	0.4592
2015	0.1530	0.2673	0.4203	1.4710	0.4858

Source: Van Zandt County Appraisal District

**Notes:** The City's basic property tax rate may be increased over the rollback rate only by a majority vote of the City's residents. Rates for debt service are based on each year's requirements. Years will continue to be added until there are 10 years for comparison.

\* Overlapping rates are those of local and county governments that apply to property owners within the City of Canton

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**City of Canton, Texas**  
**PRINCIPAL PROPERTY TAXPAYERS**  
*September 30, 2015*

<b>Property Tax Payer</b>	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>% of Taxable Assessed Value</b>
Henry Lewis	\$ 11,020,920	1	4.06%
Wal-Mart Stores Texas LP #827	6,895,930	2	2.54%
Brookshire Grocery Co	6,345,610	3	2.34%
Wal-Mart Real Estate Business Trust	5,879,410	4	2.16%
Texas NHI Investors LLC	4,904,080	5	1.81%
Kingdom Perspectives GP LTD	4,260,280	6	1.57%
Starship League City LP	3,864,390	7	1.42%
Paul Michael	3,670,520	8	1.35%
Bridwell Center LLC	3,374,120	9	1.24%
Zanbaka USA LLC	2,832,490	10	1.04%
<b>Total</b>	<b>\$ 53,047,750</b>		<b>19.53%</b>

Source: Van Zandt Appraisal District

**City of Canton, Texas**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
*Last Nine Years*

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Tax levy	\$ 938,869	\$ 1,012,035	\$ 1,076,450	\$ 1,125,108
Current tax collected	\$ 921,761	\$ 998,167	\$ 1,023,609	\$ 1,100,715
Percent of current tax collections	98.18%	98.63%	95.09%	97.83%
Delinquent tax collections	\$ 16,783	\$ 13,436	\$ 51,994	\$ 22,472
Total tax collections	\$ 938,544	\$ 1,011,603	\$ 1,075,603	\$ 1,123,187
Total collections as a percentage of levy	99.97%	99.96%	99.92%	99.83%

**Note:** Years will continue to be added until there are 10 years for comparison

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 1,097,291	\$ 1,098,067	\$ 1,109,162	\$ 1,096,549	\$ 1,128,605
\$ 1,071,619	\$ 1,075,976	\$ 1,078,852	\$ 1,084,478	\$ 1,114,866
97.66%	98.0%	97.3%	98.9%	98.8%
\$ 23,291	\$ 19,252	\$ 26,574	\$ 7,211	\$ -
\$ 1,094,910	\$ 1,095,228	\$ 1,105,426	\$ 1,091,689	\$ 1,114,866
99.78%	99.7%	99.7%	99.6%	98.8%

**City of Canton, Texas**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
*Last Ten Years*

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Governmental activities:</b>				
Tax Notes	\$ -	\$ -	\$ 500,000	\$ 469,987
Certificates of obligation	875,320	828,623	2,110,325	2,005,330
Other obligations	69,940	80,684	47,328	398,348
Refunding bonds	3,000,000	2,810,000	2,460,000	1,990,000
<b>Business-type activities:</b>				
Certificates of obligation	\$ 1,749,680	\$ 1,656,347	\$ 1,559,676	\$ 1,459,671
Other obligations	463,684	314,449	190,007	26,315
Refunding bonds	1,070,000	725,000	575,000	420,000
Revenue bonds	-	-	-	-
Tax Notes	-	-	-	-
<b>Total primary government</b>	<u><u>\$ 7,228,624</u></u>	<u><u>\$ 6,415,103</u></u>	<u><u>\$ 7,442,336</u></u>	<u><u>\$ 6,769,651</u></u>
Percentage of personal income (1)	n/a	0.08%	0.06%	0.05%
Per capita	\$ n/a	\$ 26	\$ 19	\$ 15

(1) Personal income is disclosed on page 124



<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 450,588	\$ 1,145,411	\$ 1,092,879	\$ 1,041,006	\$ 707,372	\$ 1,640,749
1,891,550	1,777,100	1,649,450	1,502,209	842,137	645,000
339,044	308,330	276,072	242,193	206,611	-
1,515,000	1,025,000	520,000	-	298,750	225,000
\$ 1,363,450	\$ 1,252,900	\$ 1,115,550	\$ 954,750	\$ -	\$ -
-	-	-	-	-	-
260,000	95,000	-	-	896,250	675,000
1,045,000	1,010,000	2,970,000	2,904,426	2,786,819	2,625,000
-	-	-	-	-	1,234,250
<u>\$ 6,864,632</u>	<u>\$ 6,613,741</u>	<u>\$ 7,623,951</u>	<u>\$ 6,644,584</u>	<u>\$ 5,737,939</u>	<u>\$ 7,044,999</u>
0.04%	0.02%	2.44%	8.32%	7.24%	8.11%
\$ 12	\$ 8	\$ 868	\$ 1,856	\$ 1,569	\$ 1,926

**City of Canton, Texas**  
**RATIO OF GENERAL BONDED DEBT OUTSTANDING**  
*Last Nine Years*

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>NET TAXABLE ASSESSED VALUE</b>				
All property	\$ 260,257,660	\$ 243,234,892	\$ 253,145,298	\$ 286,782,684
<b>NET BONDED DEBT</b>				
Gross bonded debt	6,019,970	7,205,001	6,344,988	6,525,588
Less debt service funds	487,252	447,920	1,034,399	983,567
<b>Net Bonded Debt</b>	<u><u>\$ 5,532,718</u></u>	<u><u>\$ 6,757,081</u></u>	<u><u>\$ 5,310,589</u></u>	<u><u>\$ 5,542,021</u></u>
<b>RATIO OF NET BONDED DEBT     TO ASSESSED VALUE</b>	0.02	0.03	0.02	0.02
<b>POPULATION</b>	5,147	5,147	5,147	5,147
<b>NET BONDED DEBT PER CAPITA</b>	\$ 1,075	\$ 1,313	\$ 1,032	\$ 1,077

**Source:** City staff

(1) Van Zandt County Appraisal District

(2) Schedule of Bonds Payable

(3) Financial statement

**Note:** Years will continue to be added until there are 10 years for comparison

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 262,165,440	\$ 261,839,458	\$ 264,125,726	\$ 264,571,594	\$ 271,683,067
6,305,411	7,347,879	6,402,391	4,942,273	3,525,000
975,670	1,000,514	988,269	1,137,087	1,167,949
<u>\$ 5,329,741</u>	<u>\$ 6,347,365</u>	<u>\$ 5,414,122</u>	<u>\$ 3,805,186</u>	<u>\$ 2,357,051</u>
0.02	0.02	0.02	0.01	0.01
3,581	3,581	3,581	3,658	3,658
\$ 1,488	\$ 1,773	\$ 1,512	\$ 1,040	\$ 644

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# City of Canton, Texas

## DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2015

Governmental Unit	Debt	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Van Zandt County	6,948,000	11.51%	\$ 799,715
Canton Independent School District	35,432,069	51.63%	18,293,577
Subtotal, overlapping debt	\$ 42,380,069		19,093,292
City of Canton			3,805,186
Total direct and overlapping debt			\$ 22,898,478

Source: Van Zandt County Appraisal District.

**Note:** Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using the taxable assessed property values. Applicable percentages were estimated by determining the portion of the overlapping government's taxable assessed value that is within the City's boundaries and dividing it by the overlapping government's total taxable assessed value.

**City of Canton, Texas**  
**LEGAL DEBT MARGIN INFORMATION**  
*Last Ten Fiscal Years*

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Tax rate limit	\$ 2.5000	\$ 2.5000	\$ 2.5000	\$ 2.5000	\$ 2.5000
Current tax rate	<u>0.4000</u>	<u>0.3900</u>	<u>0.4252</u>	<u>0.4252</u>	<u>0.4252</u>
Legal debt margin	<u>\$ 2.1000</u>	<u>\$ 2.1100</u>	<u>\$ 2.0748</u>	<u>\$ 2.0748</u>	<u>\$ 2.0748</u>

(a) Texas Statutes do not impose a legal debt limit for cities; however, statutes limit the maximum amount a city can levy for all purposes to \$2.50 per \$100 of valuation

The debt limit is calculated as the remaining amount of taxes that can be assessed prior to reaching the \$2.50 per \$100 valuation threshold.

2011	2012	2013	2014	2015
\$ 2.5000	\$ 2.5000	\$ 2.5000	\$ 2.5000	\$ 2.5000
0.4252	0.4252	0.4252	0.4203	0.4203
<u>\$ 2.0748</u>	<u>\$ 2.0748</u>	<u>\$ 2.0748</u>	<u>\$ 2.0797</u>	<u>\$ 2.0797</u>

# City of Canton, Texas

## PLEDGED REVENUE COVERAGE - PLEDGED REVENUE COVERAGE

### Last Ten Years

	2006	2007	2008	2009
Gross revenues (water/sewer/sanitation)(1)	\$ 2,102,690	\$ 2,064,062	\$ 2,350,747	\$ 2,903,390
Operating expenses (2)	\$ 2,260,908	\$ 2,231,605	\$ 2,231,605	\$ 2,371,358
Net revenues available for Debt Service	\$ (158,218)	\$ (167,543)	\$ 119,142	\$ 532,032
<b>DEBT SERVICE REQUIREMENTS</b>				
Principal	\$ 408,334	\$ 425,000	\$ 563,333	\$ 380,000
Interest	147,885	132,584	169,637	134,718
Total	<u>\$ 556,219</u>	<u>\$ 557,584</u>	<u>\$ 732,970</u>	<u>\$ 514,718</u>
Coverage	(0.28)	(0.30)	0.16	1.03

(1) Total revenues excluding interest and grants

(2) Total operating expenses less depreciation



<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 2,189,567	\$ 2,534,539	\$ 2,625,861	\$ 2,576,073	\$ 2,590,905	\$ 2,651,792
\$ 1,919,886	\$ 2,430,445	\$ 1,746,992	\$ 1,918,310	\$ 1,750,905	\$ 1,916,405
\$ 269,681	\$ 104,094	\$ 878,869	\$ 657,763	\$ 840,000	\$ 735,387
\$ 15,000	\$ 35,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000
11,262	44,410	42,923	41,223	39,523	37,823
<u>\$ 26,262</u>	<u>\$ 79,410</u>	<u>\$ 82,923</u>	<u>\$ 81,223</u>	<u>\$ 79,523</u>	<u>\$ 77,823</u>
10.27	1.31	10.60	8.10	10.56	9.45

# City of Canton, Texas

## DEMOGRAPHIC AND ECONOMIC STATISTICS

### *Last Nine Fiscal Years*

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Population	5,147	5,147	5,147	5,147
Personal income	\$ 103,727,491	\$ 107,829,650	\$ 89,305,597	\$ 110,557,560
Per capita income	\$ 20,153	\$ 20,950	\$ 17,351	\$ 21,480
Average age	42	43	43	40
Grade School enrollment	908	956	942	948
Unemployment %	8.2%	7.2%	7.4%	7.2%

**Sources:**

- 1 City of Canton
- 2 Canton Economic Development Corporation
- 3 Canton ISD
- 4 Texas Workforce Commission
- 5 Per MPRG Inc estimation
- 6 2012 Census
- 7 2013 Census

**Note:** Years will continue to be added until there are 10 years for comparison

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
3,581	3,581	3,581	3,658	3,658
\$ 72,751,596	\$ 65,782,970	\$ 79,874,205	\$ 79,294,275	\$ 86,816,592
\$ 20,316	\$ 18,370	\$ 22,305	\$ 22,305	\$ 24,264
42	39	39	42	37
926	980.0	980.0	994.0	1,022.0
8.0%	6.6%	5.6%	4.5%	4.4%

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# City of Canton, Texas

## PRINCIPAL EMPLOYERS

September 30, 2015

Employer	Employees	Rank
Wal-Mart Supercenter	312	1
Canton I.S.D.	294	2
Van Zandt County	215	3
Brookshire's	105	4
Jalapeno Tree	100	5
Splash Kingdom (Seasonal)	100	6
Winning Strategies	87	7
Canton Oaks (Senior Care & Rehab Facility)	85	8
City of Canton	83	9
Duke's Travel Plaza	75	10
Total	1,456	

Source: City Economic Development Corporation

# City of Canton, Texas

## FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION/PROGRAM

*Last Nine Fiscal Years*

Function / Program	2007	2008	2009	2010
General government	7	7	7	8
Public safety				
Police	18	18	19	19
Municipal court	2	2	2	2
Fire	3	4	5	7
Public works	11	11	11	5
Streets	2	2	3	5
Parks and Recreation	2	2	5	3
Animal Control	3	3	3	2
Utility Administration	2	2	2	2
Water, Wastewater	10	9	9	9
First Monday	15	15	12	18
<b>Total</b>	<b>75</b>	<b>59</b>	<b>64</b>	<b>62</b>

**Source:** City staff

**Note:** Years will continue to be added until there are 10 years for comparison

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
9	9	9	9	8
19	19	19	19	19
2	2	2	2	2
7	7	7	7	8
5	6	6	6	7
5	5	5	5	5
3	3	3	4	4
2	2	2	2	3
2	2	2	2	2
9	9	9	10	7
17	18	18	19	18
63	64	64	65	64

**City of Canton, Texas**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
*Last Nine Fiscal Years*

Function/Program	2007	2008	2009	2010
<b>Police</b>				
Number of police officers	13	13	13	13
Number of violations (citations)	1,731	1,505	1,811	1,488
<b>Fire</b>				
Number of firefighters	20	21	23	20
Number of fire service runs	96	164	105	NA
Number of Medical assist runs	173	199	606	NA
<b>Development Services</b>				
Construction permits issued <sup>1</sup>	170	206	255	210
Estimated valuation <sup>1</sup>	1,543,844	3,313,192	4,603,990	3,493,399
<b>Public Works</b>				
Streets paved (miles)	26	26	26	26
<b>Parks and Recreation</b>				
Park land and municipal acreage maintained	236	236	257	257
<b>Water and Wastewater</b>				
Number of water customers	1,983	2,043	1,988	2,016
Average daily water consumption (millions of gallons)	1	1	1	1
Maximum storage capacity (millions of gallons)	1	1	1	1
<b>Solid Waste</b>				
Solid waste collected (tons)	5,000	5,000	5,000	5,000

Source: City Departments

<sup>1</sup>Includes residential, commercial, and miscellaneous (e.g., pools, fences) permits

**Note:** Years will continue to be added until there are 10 years for comparison



2011	2012	2013	2014	2015
13	13	13	13	13
1,610	1,286	1,578	1,859	1,332
19	15	15	14	14
80	52	132	342	284
398	457	624	1,064	1,227
47	192	311	346	367
6,088,662	2,863,932	11,457,266	15,827,694	5,883,167
26	26	26	26	26
257	257	257	257	257
2,045	2,106	2,172	2,156	2,208
1	1	1	1	1
1	1	1	1	3
5,000	5,000	5,000	5,000	5,000

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**City of Canton, Texas**  
**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**  
*Last Nine Years*

Function/Program	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Police									
Stations	1	1	1	1	1	1	1	1	1
Patrol Units	10	10	10	10	10	10	10	10	10
Fire									
Stations	1	1	1	1	1	1	1	1	1
Public Works									
Streets-Paved (miles)	26	26	26	26	26	26	26	26	26
Street Lights	501	501	501	501	501	501	501	501	501
Parks and Recreation									
Park Acreage	150	150	150	150	150	150	150	150	150
Public Parks	3	3	3	3	3	3	3	3	3
Community Centers	1	1	1	1	1	1	1	1	1
Senior Centers	1	1	1	1	1	1	1	1	1
Tennis Courts	4	4	4	4	4	4	4	4	4
Soccer Fields	5	5	5	5	5	5	5	5	5
Baseball Fields	7	7	7	7	7	7	7	7	7
Library	1	1	1	1	1	1	1	1	1
Water and Wastewater									
Water Mains (miles)	47	47	49	49	49	49	49	49	50
Fire Hydrants	231	231	245	245	245	247	247	261	261
Storm Sewers (miles)	1	1	1	1	1	1	1	1	1
Sanitary Sewers (miles)	39	39	45	45	45	48	48	48	49
First Monday (acres)	100	100	100	100	100	100	100	100	100

**Source:** City Departments

**Note:** Years will continue to be added until there are 10 years for comparison

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CITY OF  
**CANTON, TEXAS**

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**Comprehensive Annual Financial Report**



**Fiscal Year Ended September 30, 2015**

